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United Nations Human Settlements Programme

Financial report and audited financial statements

for the year ended 31 December 2015

and

Report of the Board of Auditors

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Note

Symbols of United Nations documents are composed of letters combined with figures. Mention of such a symbol indicates a reference to a United Nations document.

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Letter dated 31 May 2016 from the Executive Director of the United Nations Human Settlements Programme addressed to the Chair of the United Nations Board of Auditors

In accordance with regulation 6.2 and rule 106.1 of the Financial Regulations and Rules of the United Nations, I am transmitting the financial report and accounts of the United Nations Human Settlements Programme, and other related accounts, for the year ended 31 December 2015, which I approve on the basis of the attestations of the Chief Finance Officer, the United Nations Office at Nairobi and the Director of the Management and Operations Division of the United Nations Human Settlements Programme.

Copies of these financial statements are made available to both the Advisory Committee on Administrative and Budgetary Questions and the Board of Auditors.

(*Signed*) Joan **Clos**
Executive Director
United Nations Human Settlement Programme

Letter dated 19 September 2016 from the Chair of the United Nations Board of Auditors addressed to the President of the General Assembly

I have the honour to transmit to you the report of the Board of Auditors on the financial statements of the United Nations Human Settlements Programme for the year ended 31 December 2015.

(*Signed*) Mussa Juma **Assad**
Controller and Auditor General of the United Republic of Tanzania
Chair of the United Nations Board of Auditors
(Lead Auditor)

Chapter I

Report of the Board of Auditors on the financial statements of the United Nations Human Settlements Programme: audit opinion

Report on the financial statements

We have audited the accompanying financial statements of the United Nations Human Settlements Programme (UN-Habitat), which comprise the statement of financial position as at 31 December 2015 (statement I), the statement of financial performance (statement II), the statement of changes in net assets (statement III), the statement of cash flows (statement IV) and the statement of comparison of budget and actual amounts (statement V) for the year then ended, and notes to the financial statements.

Responsibility of management for the financial statements

The Executive Director of UN-Habitat is responsible for the preparation and fair presentation of these financial statements in accordance with the International Public Sector Accounting Standards (IPSAS) and for such internal controls as management determines to be necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Responsibility of the auditors

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with the International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements, as a whole, are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the United Nations Human Settlements Programme as at

31 December 2015 and its financial performance and cash flows for the year then ended, in accordance with IPSAS.

Report on other legal and regulatory requirements

Further to our opinion, the transactions of UN-Habitat that have come to our notice or that we have tested as part of our audit have, in all significant respects, been in accordance with the Financial Regulations and Rules of the United Nations and legislative authority.

In accordance with article VII of the Financial Regulations and Rules of the United Nations, we have also issued a long-form report on our audit of UN-Habitat.

(*Signed*) Mussa Juma **Assad**
Controller and Auditor General of the United Republic of Tanzania
Chair of the United Nations Board of Auditors
(Lead Auditor)

(*Signed*) Shashi Kant **Sharma**
Comptroller and Auditor General of India

(*Signed*) Sir Amyas C. E. **Morse**
Comptroller and Auditor General of the
United Kingdom of Great Britain and Northern Ireland

19 September 2016

Chapter II
Long-form report of the Board of Auditors

Summary

The United Nations Human Settlements Programme (UN-Habitat) promotes socially and environmentally sustainable towns and cities, with the goal of providing adequate shelter for all. This includes providing information and support to Member States for developing policies and legislation to improve living conditions, as well as supporting operational activities, for example, improved water provision and sanitation.

The headquarters of UN-Habitat is in Nairobi, with four main regional offices covering Africa, the Arab States, Asia and the Pacific and Latin America and the Caribbean. It also has liaison and information offices in New York, Brussels, Geneva, Moscow, Beijing, Chennai (India), Amman and Budapest and project offices in many other countries and cities across the globe. UN-Habitat employs 337 core staff, 101 of whom are based in offices away from headquarters, along with fluctuating numbers of staff on specific contracts, in particular in field offices.

The total revenue of UN-Habitat for the year 2015 was $166.96 million, while total expenses were $167.06 million, resulting in a deficit of $0.10 million.

The Board audited the financial statements and reviewed the operations of UN-Habitat for the year ended 31 December 2015. The audit was carried out through the examination of the financial transactions and operations at the headquarters in Nairobi and field visits to the country offices in the Democratic Republic of the Congo, Ghana, Haiti, Liberia and Rwanda.

Scope of the report

The report covers matters that, in the opinion of the Board, should be brought to the attention of the General Assembly and have been discussed with UN-Habitat management, whose views have been appropriately reflected.

The audit was conducted primarily to enable the Board to form an opinion as to whether the financial statements present fairly the financial position of UN-Habitat as at 31 December 2015 and its financial performance and cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (IPSAS). The audit included a general review of financial systems and internal controls and a test examination of the accounting records and other supporting evidence to the extent that the Board considered necessary to form an opinion on the financial statements.

The Board also reviewed UN-Habitat operations under United Nations financial regulation 7.5, which allows the Board to make observations on the efficiency of the financial procedures, the accounting system, the internal financial controls and, in general, the administration and management of operations. The Board examined six main areas of UN-Habitat activities: programme and project management, budget processing and monitoring, results-based management, assets management, IPSAS implementation and financial management and reporting, as well as a detailed follow-up of actions taken in response to recommendations made in previous years.

Audit opinion

The Board issued an unqualified audit opinion on the financial statements for the period under review as reflected in chapter I of the present report.

Overall conclusion

The Board's review of financial statements and operations of UN-Habitat did not identify material errors, omissions or misstatements. However, the Board noted scope for improvement in a number of areas, specifically with regard to financial management, programme and project management, assets management, budget management and results-based management. These areas need strong internal controls and monitoring of activities both in the country offices and at the headquarters to ensure efficient and effective delivery of the UN-Habitat mandate.

In 2015, the Board noted a major decline in non-earmarked contributions of $4.58 million (65 per cent) compared with 2014. UN-Habitat has started initiatives to address the problem, including by establishing a resources mobilization unit and developing donor relations and an income strategy. The Board will continue to monitor the outcomes of the initiatives in subsequent audits.

Key findings

The Board has identified a number of issues that management needs to consider to enhance the effectiveness of UN-Habitat operations. In particular, the Board highlights the key findings set out below.

Declining trend in donor contributions

UN-Habitat has been experiencing a declining trend in resources whereby non-earmarked foundation resources decreased by $4.58 million (65 per cent) to $2.50 million, earmarked foundation resources decreased by $3.88 million (10 per cent) to $33.95 million and technical cooperation contribution decreased by $11.48 million (9 per cent) to $120.28 million, from 2014 to 2015. While acknowledging the organization's strategies and efforts to mobilize resources, the Board believes that the absence of an organization-wide resource mobilization policy to guide management in advocacy, communication and outreach activities has contributed to the declining resources.

Outdated project manual

The current UN-Habitat project manual was developed in 2010 under the United Nations System Accounting Standards (UNSAS). The adoption of IPSAS as a new reporting framework meant that the manual should have been updated to conform to IPSAS, but no such changes were made. As a result, a number of areas in the current project manual are outdated and do not conform to the applicable financial reporting framework. For example, paragraph 1.4 of chapter I of the manual requires capitalization of non-expendable assets above a threshold of $1,500, while the threshold under the IPSAS policy framework is $5,000. The Board is of the view that updating the project manual is essential given the nature of UN-Habitat operations, which are mainly projects implemented at the country level. The absence of an IPSAS-customized project manual necessitates writing frequent and repetitive instructions, which can cause challenges to users during implementation.

Delays in disbursement of project funds

UN-Habitat entered into agreements with implementing partners for two country-based projects. Item 2 in article VI of the cooperation agreements between UN-Habitat and the implementing partners stipulates that UN-Habitat shall make payments to the partners within 30 days following the receipt of the appropriate payment request. However, the Board noted delays in releasing funds for periods ranging from 32 to 86 days to the implementing partners.[a] UN-Habitat attributed the delays to lack of proper SWIFT[b] banking systems in one country and the failure of implementing partners to provide the United Nations Office at Nairobi[c] with complete banking particulars. Any delay in releasing funds to implementing partners increases the risk of cost overruns and compromises the quality of the project because it limits the time available to implementing partners to complete project activities.

Recommendations

The Board made recommendations based on its audit that are contained in the main body of the present report. The main recommendations are that UN-Habitat:

(a) **Explore opportunities with existing and potential donors by actively raising awareness in order to reverse the declining trends in its resources;**

(b) **Update the outdated project manual to incorporate the requirements of the newly adopted IPSAS financial reporting framework and the requirements of results-based management and the Umoja enterprise resource planning solution;**

(c) **Ensure that funding requests and disbursement processes to country offices are streamlined such that disbursements are done within the agreed timelines to facilitate timely implementation of projects by implementing partners.**

[a] In 2 of 16 projects reviewed by the Board in five countries.
[b] Society for Worldwide Interbank Financial Telecommunication.
[c] The United Nations Office at Nairobi provides administrative services to UN-Habitat.

Key facts	
$200.85 million	Original core and earmarked budget
$278.60 million	Final core and earmarked budget
$166.96 million	Total revenue
$167.06 million	Total expenses
337	UN-Habitat staff

A. Mandate, scope and methodology

1. The Board of Auditors has audited the financial statements of the United Nations Human Settlements Programme (UN-Habitat) and has reviewed its operations for the financial period ended 31 December 2015 in accordance with General Assembly resolution 74 (I) of 1946. The audit was conducted in conformity with the Financial Regulations and Rules of the United Nations, as well as the International Standards on Auditing. The latter standards require that the Board comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

2. The audit was conducted primarily to enable the Board to form an opinion as to whether the financial statements present fairly the financial position of UN-Habitat as at 31 December 2015 and its financial performance and cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (IPSAS). This included an assessment as to whether the expenses recorded in the financial statements had been incurred for the purposes approved by the governing bodies and whether revenue and expenses had been properly classified and recorded in accordance with the Financial Regulations and Rules of the United Nations. The audit included a general review of financial systems and internal controls and a test examination of the accounting records and other supporting evidence to the extent that the Board considered necessary to form an opinion on the financial statements.

3. The Board also reviewed UN-Habitat operations under United Nations financial regulation 7.5, which requires the Board to make observations on the efficiency of the financial procedures, the accounting system, the internal controls and, in general, the administration and management of operations.

4. During the course of the audit, the Board visited UN-Habitat headquarters in Nairobi and country office operations in the Democratic Republic of the Congo, Ghana, Haiti, Liberia and Rwanda. The Board continued to work collaboratively with the Office of Internal Oversight Services to provide coordinated coverage.

B. Findings and recommendations

1. Follow-up of recommendations from previous years

5. Of the 21 recommendations outstanding as at 31 December 2014, the Board noted that 17 recommendations (81 per cent) were fully implemented, three recommendations (14 per cent) were under implementation and one recommendation (five per cent) had not been implemented and has therefore been reiterated. Details of the status of implementation of the recommendations are shown in annex I. The Board considers that there is a positive improvement in the implementation of the Board's recommendations.

6. The recommendations that were still under implementation required the decision to set up specific arrangements for funding the organization's liabilities for end-of-service and post-retirement benefits, identifying a suitable partner to run the

Experimental Reimbursable Seeding Operations Trust Fund and speeding up the process of fixing electronic barcodes on all assets under its control.

7. The recommendation that was considered not implemented requires UN-Habitat to review the cost and benefits of introducing procedures to mitigate exchange rate risks and losses. UN-Habitat explained that the implementation of the recommendation rests with the United Nations Office at Nairobi and United Nations Headquarters. The Board considers that UN-Habitat management has a duty to protect the entity from major financial losses arising from exchange rate risks.

2. Financial overview

Revenue and expenses

8. UN-Habitat revenue includes assessed contributions (regular budget), voluntary contributions, investment revenue and other revenue. During the period under review, total revenue decreased by 19 per cent, from $205.44 million in 2014 to $166.96 million in 2015. In addition, total expenses declined by 14 per cent, from $194.02 million in 2014 to $167.06 million in 2015. Despite the decreased expenses, UN-Habitat recorded a deficit of $0.10 million in 2015 compared with a surplus of $11.42 million in 2014. The deficit was mainly attributable to the decline in revenue; UN-Habitat could not solicit the planned revenue of $278.60 million. A comparison of revenue and expenses for 2015 and 2014 is set out in figure II.I below.

Figure II.I
Revenue and expenses

(Millions of United States dollars)

Source: Financial statements for 2014 and 2015

Ratio analysis

9. Table II.1 contains key financial ratios analysed from the financial statements, mainly from the statements of financial position and financial performance.

Table II.1
Ratio analysis

Description of ratio	*31 December 2015*	*31 December 2014*
Current ratio[a]		
Current assets: current liabilities	5.58	4.72
Total assets: total liabilities[b]	4.35	3.89
Cash ratio[c]		
Cash plus investments: current liabilities	2.26	1.03
Quick ratio[d]		
Cash + investments + accounts receivable: current liabilities	4.90	3.40

Source: UN-Habitat 2015 financial statements

[a] A high ratio indicates an entity's ability to pay off its short-term liabilities.

[b] A high ratio is a good indicator of solvency.

[c] The cash ratio is an indicator of an entity's liquidity by measuring the amount of cash, cash equivalents or invested funds in current assets to cover current liabilities.

[d] The quick ratio is more conservative than the current ratio because it excludes inventory and other current assets, which are more difficult to turn into cash. A higher ratio means a more liquid current position.

10. The financial ratios at the end of the financial year showed that UN-Habitat was able to meet its maturing obligations. The analysis indicates that 5.58 dollars were available to settle each dollar of current liability. Likewise, 4.35 dollars were available to settle each dollar of the outstanding liability. All ratios have increased in 2015 compared with 2014, mostly due to a reduction in liabilities compared to assets.

3. Post-IPSAS implementation phase

Lack of an International Public Sector Account Standards benefits realization plan

11. UN-Habitat does not have an IPSAS benefits realization plan since the adoption of IPSAS in 2014. The benefits realization plan is a crucial document, as it outlines the expected benefits from IPSAS and how such benefits could be measured, including the period of measurement and the parties accountable for such measurement. The Board considers that, in the absence of the plan, monitoring and evaluation of IPSAS implementation will be difficult, and management cannot easily ascertain the extent to which the application of the new reporting framework has realized benefits to its reporting and decisions.

12. **UN-Habitat agreed with the Board's recommendation to develop an IPSAS benefits realization plan, in coordination with the United Nations Secretariat, to ensure effective monitoring and realization of the intended benefits.**

4. Resource mobilization

Declining trend in donor contributions

13. At its twenty-fourth session, held in April 2013, the Governing Council of UN-Habitat approved a strategic plan for the period 2014-2019 and the proposed work programme and budget for the biennium 2014-2015. The strategic plan requires UN-Habitat to enhance its knowledge base of donor intelligence; develop tools to market UN-Habitat projects, knowledge and experience; and develop a resource mobilization policy. The policy is designed to ensure that headquarters and regional and country offices systematically organize and coordinate their fundraising activities.

14. The organization's annual progress reports for 2014 and 2015 on the implementation of the strategic plan and work programme, and the progress report presented to the Governing Council in April 2015, showed good progress towards the implementation of a strategic plan and the work programme. However, the Board noted a persistent declining trend in contribution resources[1] as shown in table II.2 below, and UN-Habitat had not developed a resource mobilization policy that would have guided the efforts to mobilize resources with a view to reversing the trend.

Table II.2
Trend in donor contributions for the past three years

(Millions of United States dollars)

Source of revenue	*2013*	*2014*	*2015*
Non-earmarked	8.44	7.08	2.50
Earmarked	46.97	37.83	33.95
Technical cooperation	123.70	131.76	120.28
Total	**179.11**	**176.67**	**156.73**

Source: Donor contribution schedules from 2013 to 2015.

15. Management explained that UN-Habitat had taken measures such as creating a resources mobilization unit and developing donor relations and an income strategy for 2016-2017 as part of its resource mobilization efforts. In addition, priority had been given to developing an organization-wide resource mobilization strategy and to put in place an identifiable structure that would have primary responsibility for resource mobilization. Management informed the Board that the entity had approved rules to guide main offices in the systematic implementation of the resource mobilization strategy.

16. While acknowledging the efforts of management, the Board believes that an organization-wide resource mobilization policy to guide management in advocacy, communications and outreach activities would strengthen resource mobilization efforts and have a positive impact on the level of resources mobilized by the organization. The proposed policy is crucial to organizing and systemically

[1] Non-earmarked, earmarked and technical cooperation contributions.

coordinating fundraising activities of the headquarters and regional and country offices. In addition, while the established rules are key components of such a policy, the Board considers that a resource mobilization policy is important to provide direction on how those rules should be implemented.

17. The Board did not observe a significant impact on the programme activities as a result of decreasing resources. However, the decreasing trend in contributions means that UN-Habitat needs to monitor its resource mobilization strategy more closely to avoid possible effects on operations and sustainability. The formulation of a resource mobilization policy would provide UN-Habitat with a broader, systematic and streamlined organization-wide guideline towards the consolidation of the existing donor base and the exploration of opportunities with existing and potential donors.

18. **UN-Habitat agreed with the Board recommendation to explore opportunities with existing and potential donors by actively raising awareness so as to reverse the declining trends in its resources.**

5. Financial management

Management of the Experimental Reimbursable Seeding Operations Trust Fund

19. Paragraph 6.5 and 6.6 of the Experimental Reimbursable Seeding Operations Manual requires an end user borrower to have prior experience with savings management and sufficient knowledge of borrowing, and UN-Habitat to carry out due diligence analysis in assessing a borrower's proposal before issuing a loan.

20. In April 2010, UN-Habitat granted a loan of $1 million to a housing foundation, to be repaid in full in 2030. According to the agreement, the loan was to be managed by a loan management company. The foundation spent $0.75 million of the loan proceeds to acquire 50 per cent of a share in a new company that was in the process of being established, which was to be responsible for the loan management. Shares in the company were used as collateral for the UN-Habitat loan in accordance with the requirement of section 10.1 of the loan agreement.

21. The Board noted that the company could not start its operation after it failed to raise $23 million by 2015 as expected, and some $1.2 million was used for administrative activities and legal fees. From the review of project documents, the following irregularities were noted:

(a) While management stated that due diligence was performed in August 2009, the housing foundation was established in December 2009 and therefore could not have been subjected to the above-mentioned due diligence. UN-Habitat was unable to provide evidence to confirm that the due diligence was actually performed;

(b) The loan was disbursed on 1 April 2010, only four months after the newly formed company was established. This indicates that the loan was issued without consideration of prior-year experience of the borrower, as required under paragraph 6.5 of the Experimental Reimbursable Seeding Operations Manual.

22. Section 4.1 (b) 3 of the loan agreement requires an entity to submit original financial statements before being granted a loan by UN-Habitat. Management did

not provide evidence that they obtained and analysed financial statements before disbursing the loan.

23. The Board was informed that, of the $1 million loan to the housing foundation, $250,000 had already been recovered and UN-Habitat was following up to recover another $150,000. The remaining balance of $600,000 will not be recovered and therefore is considered a loss or a bad debt.

24. The Board is of the view that inadequate screening of borrowers and ineffective monitoring mechanisms expose UN-Habitat to the risk of issuing loans to incapable and inexperienced borrowers. Such loans might not be used as intended or be recovered, and therefore might limit the organization from achieving the objective for which the loans were issued.

25. **UN-Habitat agreed with the Board's recommendation to: (a) follow up with the housing foundation to recover the outstanding loan amount; and (b) enhance the screening and monitoring mechanisms for the loan portfolio.**

Review of financial statements

(a) Non-transfer of debit balances from payables to receivables

26. Of the 2,702 transactions in accounts payable, the Board noted that 27 transactions with a debit balance of $379,479 relating to accounts receivable were not transferred to accounts receivable as at 31 December 2015. This is contrary to paragraph 48 of IPSAS 1: Presentation of financial statements, which prohibits offsets between assets and liabilities, and revenue and expenses, unless required or permitted by IPSAS.

27. UN-Habitat stated that payable general ledgers were used in the advance clearing process; the debit balance consisted of amounts recoverable from staff that had been converted from the Integrated Management Information System (IMIS) to the Umoja system. The Board was also informed that the United Nations Office at Nairobi was in the process of reviewing accounts payable as part of the ongoing United Nations global effort to clear and manage open items in accounts payable. The Board considers that UN-Habitat needs to improve its process of financial statements preparation with a view to complying with the applicable financial reporting framework.

(b) Inadequate disclosure on financial statements

28. Paragraph 128 of IPSAS 1 requires each item on the face of financial statements to be cross-referenced to a note and the note to provide supporting information that is relevant to an understanding of the reported figure.

29. In the UN-Habitat statement of financial performance, travel expenses of $9.90 million and supplies and consumables amounting to $1.75 million have been reported as line items without a corresponding note to provide additional information as required under paragraph 128 of IPSAS 1.

30. UN-Habitat explained that the financial statements presentation was in line with other entities which also used data from two separate management information systems (IMIS and Umoja). However, the Board is of the view that the highlighted

line items in the financial statements have to be supported by notes as required under paragraph 128 of IPSAS. In addition, although relevant schedules were provided during the audit, the lack of cross references between statements and notes limits users' understanding of the statements.

31. **UN-Habitat agreed with the Board's recommendation to improve its process of financial statements preparation to comply with the applicable financial reporting framework and ensure that material line items on the face of financial statements are supported by corresponding notes.**

6. Programme and project management

Outdated project manual

32. UN-Habitat has recently adopted several management initiatives aimed at strengthening accountability and transparency. These include institutionalizing the results-based management framework, adopting IPSAS and implementing the Umoja enterprise resource planning solution.

33. Despite these transformations, the Board noted that UN-Habitat had not updated its project manual to conform to the changed operating environments. The manual was developed in 2010, and most of its contents continue to conform to outdated frameworks and procedures such as the United Nations system accounting standards (UNSAS). For example, while chapter IV, paragraph 4 (a) of the UN-Habitat project manual requires the capitalization of non-expendable assets with a threshold of $1,500 at the time of purchase, the IPSAS policy framework requires a threshold of $5,000 or more per unit.

34. UN-Habitat stated that IPSAS requirements are now clearly outlined in the United Nations IPSAS Corporate Guidance documents and the Handbook of International Public Sector Accounting Pronouncements, and a new United Nations property management manual and other asset management requirements are now available to all staff in the organization.

35. The Board is of the view that development of a new project manual is essential given the nature of UN-Habitat operations, which are mainly project implementations. The lack of an updated project manual increases the risk of errors in recording information owing to the mismatch between the existing guidance and the requirements, and to address this issue necessitates the issuance of frequent and repetitive instructions.

36. **UN-Habitat agreed with the Board's recommendation to update the project manual to conform to the requirements of the newly adopted IPSAS financial reporting framework, the requirements of results-based management and the Umoja enterprise resource planning solution.**

7. Information and communications technology

Inadequate control in the Project Accrual and Accountability System

37. Section 1 of the information security directive for the United Nations Secretariat issued in March 2013 requires the information security programmes of

all Secretariat entities to utilize a risk management approach that is consistent with the international standards ISO 27000 series.

38. In 2012, UN-Habitat implemented the Project Accrual and Accountability System as a project management application aimed at improving effectiveness in monitoring and reporting of projects. Since its roll-out in 2012, the application has undergone major changes to add features. However, the review of the System application noted areas for improvements in relation to change control and access control procedures as set out below.

Lack of change control procedures

39. Section 10.1.2 of ISO 27002 requires operational systems and application software to be subjected to strict change management control. In addition, section 12.5.1 of the standard requires implementation of changes to be controlled by the use of formal change control procedures. The Board reviewed the changes made to the Project Accrual and Accountability System and noted that 16 major enhancements were made without formal change control procedures.

40. UN-Habitat explained that although there was no formal document to reflect approved changes, all enhancements and changes followed a systematic workflow of defining requirements which were then consolidated in an e-mail by the project manager before being submitted to a developer. However, the Board is of the view that defined and documented procedures ensure the standardization of the process and that controls are in place to prevent application failure.

Access control

41. Section 11.2.1 of ISO 27002 requires formal user registration and deregistration procedures to be in place for granting and revoking access to all information systems and services. The Board reviewed the Project Accrual and Accountability System with regard to role matrix and actual access rights and noted that roles were not granted in accordance with the matrix. There was no correlation between roles defined in the matrix and groups configured in the application. As a result, access has not been granted according to business needs. For example, one user was granted the following roles in the System: "Evaluations Unit Admins", "Evaluations Unit", "Donor Focal Point", "Project Leader", "Approver" and "Portal Owner". This setup compromises security and may cause distortion of information in the system.

42. UN-Habitat stated that the user mentioned above was a system developer who assigned himself roles in different groups to be able to test and assist staff. Currently, management is working with the United Nations Office at Nairobi on a new workflow to allow the Office to act as a check-in and check-out focal point to overcome this challenge. However, the Board considers that granting the developer access to the production environment is contrary to best practice; rather, read-only access could be granted in the test environment to understand problems and help users. The Board is of the view that the deficiency highlights the need for documented procedures for access requests and approvals.

43. **UN-Habitat agreed with the Board's recommendations to: (a) ensure that a formal application change control procedure in accordance with ISO 27002 is**

prepared; (b) review configuration of access in the Project Accrual and Accountability System and ensure that it is in accordance with the defined role matrix; and (c) define and document a formal access request and approval procedure to ensure that access is granted according to the defined role matrix.

Delays in disbursement of project funds

44. According to item 2 of article VI of the cooperation agreements between UN-Habitat and two implementing partners, UN-Habitat is required to make payments to implementing partners within 30 days following the receipt of the appropriate payment request for the instalments.

45. During its country office visits in 2015, the Board noted delays in the disbursement of funds to two projects in two countries, out of sixteen projects reviewed in five countries. For one project in Liberia with a budget of $1.05 million, the Board noted delays in disbursements ranging from 3 to 61 days beyond the due dates, while in Ghana the disbursement of the first instalment for one project with a budget of $250,220 was delayed for 45 days (see table II.3).

Table II.3
Delays in disbursement of funds to projects

Instalments	*Requested date*	*Remittance advice date*	*Number of days delayed beyond 30 days after the requested date*	*Amount requested and delayed (United States dollars)*
Liberia implementing partner				
First	24 February 2014	25 April 2014	30	418 528
Second	24 September 2014	27 October 2014	3	397 992
Third	3 February 2015	5 May 2015	61	125 168
Ghana implementing partner				
First	10 July 2015	23 September 2015	45	91 000
Total				**1 032 688**

Source: Payment requests and remittance advisories.

46. Any delay in releasing funds to implementing partners increases the risk of cost overruns and compromises the quality of the project because it limits the time available to implementing partners to complete project activities.

47. UN-Habitat attributed these delays to weaknesses in the banking arrangements in Liberia and implementing partners who did not provide the United Nations Office at Nairobi with complete banking particulars. For the implementing partners in Ghana, delays were associated with challenges owing to the transition to the Umoja system, such as a system blackout from 15 May to 15 June 2015 and the learning curve for using the system.

48. However, the Board still considers that proper planning could have mitigated the risks of delays through the early rescheduling of the payment of funds, since

weaknesses in banking arrangements in one country were known to exist. Also, during the migration to the Umoja system and the blackout period, proper plans for alternative ways of effecting payments should have been made in advance.

49. **UN-Habitat agreed with the Board's recommendation to ensure that funds requests and disbursement processes to country offices are streamlined such that disbursements are made within the agreed timelines to facilitate timely implementation of implementing partner projects.**

8. Budget implementation

Underutilization of annual allocated funds

50. In its previous report (A/70/5/Add.9), the Board expressed its concern over budget underutilization ranging from 5 to 67 per cent of the allotments for the year 2014.

51. During 2015, the Board noted similar weaknesses in budget utilization in four of the five visited country offices, with underutilization ranging from 57 to 100 per cent of the annual budgets. Table II.4 shows analysis of budget underutilization.

Table II.4
Project budget underutilization for 2015

(United States dollars)

Description	*Democratic Republic of the Congo*	*Ghana*	*Haiti*	*Rwanda*
Projects with unutilized funds	3	1	3	1
Annual budget	1 430 322	3 126 353	760 949	80 000
Actual expenditure	619 930	1 133 494	84 307	–
Unutilized	810 392	1 992 859	676 642	80 000
Unutilized (percentage)	57	64	89	100

Source: Budget document and expenditure reports for 2015.

52. UN-Habitat stated that the low project delivery rate was owing to factors such as a volatile security situation in the working environment, the inadequate staffing of country offices and the late disbursement of funds. In the case of one country office, the non-delivery of projects was mainly owing to late disbursement of funds to the office (in June 2015 instead of July 2014). Further, management assured the Board that the ongoing implementation of an enterprise risk management framework would include the identification, assessment and monitoring of projects to redress the noted anomaly.

53. While noting management explanations, the Board still considers that UN-Habitat needs to fully address the issue of low delivery rates of projects because it increases the risk of delays in attaining intended outputs and project results.

54. **UN-Habitat agreed with the Board's recommendation that it: (a) identify the risks that might affect project implementation in advance of the execution phase to minimize the negative effects of delaying the intended benefits for the**

societies involved; and (b) plan and manage the recruitment process in the field office to ensure that there is timely and adequate staffing for improved project performance.

9. Results-based management

55. In its resolution 64/259, the General Assembly requested the Secretary-General to take appropriate measures to accelerate the implementation of results-based management in the United Nations. In its previous report, the Board noted seven project annual workplans that had no performance indicators, targets or baseline data, which are the key components for the implementation of results-based management. In the current year's audit, the Board continue to note similar deficiencies as set out below.

Lack of project annual workplans

56. The UN-Habitat country office in the Democratic Republic of the Congo had not prepared annual workplans for four of five ongoing projects, amounting to $7.85 million out of a total budget of $8.13 million. Likewise, another country office had no annual workplan for one of its five ongoing projects (project code J099), with a budget of $0.11 million out of a total budget of $2.49 million. This is contrary to the UN-Habitat Monitoring and Evaluation Guide, which requires each project to have an annual workplan as one of the tools for project monitoring. The Board is of the view that the lack of an annual workplan may impede the country office's efforts to measure with certainty the actual performance of the planned project activities and inhibit expected feedback from project implementation.

Lack of performance indicators, targets and baseline data

57. The Board noted that one of the five projects in the Rwanda country office (project code C337, with a budget of $1.05 million) had an annual workplan that lacked performance indicators, target baselines and expected timelines for each activity. Also, the Board noted that the presented matrix of facts in the project final reports did not match the logical framework matrix used in the project document. For instance, the logical framework matrix set out in the project document required the development of guidelines for the development of township planning, while the matrix of facts in the final report had nothing in that area, thereby making it difficult to compare the two.

58. This is a departure from the requirements of paragraph 6.1 of the Project Cycle Management Manual, which requires the use of similar formats in the final project report for easy understanding and transparency.

59. Management explained that one project in one country office was almost out of funding and had received a small contribution from the government to keep going, which was the reason behind the lack of a workplan. They also explained that, owing to the new orientation of that government, the objectives and expected results of the project had to be changed during implementation, thereby leading to a change in the deliverables set out in the project documents, which required reconsideration before the preparation of annual workplans.

60. **UN-Habitat agreed with Board's recommendation to: (a) prepare project annual workplans in accordance with the requirements of the Monitoring and Evaluation Guide; and (b) establish baselines and targets for all expected outputs, outcomes and indicators in the project annual workplans.**

C. Disclosures by management

61. UN-Habitat made the following disclosures relating to write-offs, ex gratia payments and cases of fraud and presumptive fraud.

1. Write-off of cash, receivables and property

62. UN-Habitat informed the Board that, in accordance with financial rule 106.8, losses of cash and receivables amounting to $71.66 were written off in 2015 (see annex III). In accordance with financial rule 106.9, no losses on property were reported.

2. Ex gratia payments

63. Management confirmed that UN-Habitat did not make any ex gratia payments in 2015.

3. Cases of fraud and presumptive fraud

64. In accordance with the International Standards on Auditing (ISA 240), the Board plans its audits of the financial statements so that it has a reasonable expectation of identifying material misstatements and irregularity, including those resulting from fraud. Our audit, however, should not be relied upon to identify all misstatements or irregularities. The primary responsibility for preventing and detecting fraud rests with management.

65. During the audit, the Board makes enquiries of management regarding their oversight responsibility for assessing the risks of material fraud and the processes in place for identifying and responding to the risks of fraud, including any specific risks that management has identified or brought to their attention. We also inquire whether management have any knowledge of any actual, suspected or alleged fraud; this includes enquiries by the Office of Internal Oversight. The additional terms of reference governing external audit include cases of fraud and presumptive fraud in the list of matters that should be referred to in its report.

66. In 2015 the Board did not identify any cases of fraud other than those cases of fraud and presumptive fraud which have been reported to the Board as summarized in annex II to the present report.

D. Acknowledgement

67. The Board wishes to express its appreciation for the cooperation and assistance extended to its staff by the Executive Director and staff members of the United Nations Human Settlements Programme.

(*Signed*) Mussa Juma **Assad**
Controller and Auditor General of the United Republic of Tanzania
Chair of the United Nations Board of Auditors
(Lead Auditor)

(*Signed*) Sir Amyas C. E. **Morse**
Comptroller and Auditor General of the
United Kingdom of Great Britain and Northern Ireland

(*Signed*) Shashi Kant **Sharma**
Comptroller and Auditor General of India

19 September 2016

Annex I

Status of implementation of recommendations for the year ended 31 December 2015

No.	Audit report year and reference	Board's recommendations	UN-Habitat responses	Board's assessment	Status after verification				
					Implemented	*Under implementation*	*Not implemented*	*Overtaken by events*	*Reiterated*
1	2012-2013 A/69/5/Add.9, chap. II, para. 14	Continue monitoring its resource mobilization strategy to reverse the funding trend in order to secure the future delivery of its core mandate	UN-Habitat is continually monitoring its financial resources and actively implementing its resource mobilization strategy to increase its core/non-earmarked contributions	The reviewed strategy indicates improvements, therefore the recommendation is considered implemented	X				
2	2012-2013 A/69/5/Add.9, chap. II, para. 22	Implement activities to prioritize and expedite the process of data cleansing so that IPSAS opening balances are finalized well in advance for the preparation of dry-run financial statements	Data cleansing for IPSAS opening balances were completed in coordination with the United Nations Office at Nairobi	The audit team verified cleansing of data for the IPSAS opening balances, the recommendation is considered implemented	X				
3	2012-2013 A/69/5/Add.9, chap. II, para. 25	In advance of its next strategic plan for 2014-2019, develop a results-based management policy, with a clear implementation manual that provides procedures for performance monitoring, evaluation and reporting	UN-Habitat has been effectively implementing results-based management since 2008 and has made significant strides, as acknowledged by its Governing Council through its resolution 24/15 of 2013 when it requested the Executive Director "to maintain his current emphasis on results for the achievement of programme objectives" UN-Habitat has drafted and completed the internal review of a results-based management policy and a manual. The policy was scheduled for final approval by the senior management by 15 May 2015	The Board noted that the results-based management policy and the manual have been approved; the recommendation is considered implemented	X				

No.	Audit report year and reference	Board's recommendations	UN-Habitat responses	Board's assessment	Status after verification				
					Implemented	Under implementation	Not implemented	Overtaken by events	Reiterated
4.	2012-2013 A/69/5/Add.9, chap. II, para. 29	Improve its monitoring of project budget implementation by (a) establishing adequate authorization controls over the use of project funds for proper redeployments, and (b) maintaining liaison with United Nations Headquarters to address the budgetary control gaps in the Integrated Management Information System	The controls embedded in the newly deployed Umoja system adequately mitigate these control weaknesses	Umoja budgetary controls are embedded in the Umoja system, therefore the recommendation is considered implemented	X				
5.	2012-2013 A/69/5/Add.9, chap. II, para. 34	(a) Follow up with the United Nations agencies for timely submission of the inter-organizational vouchers, and (b) clear all the outstanding unliquidated obligations after the end of the period in which they were created	UN-Habitat cleared all prior year unliquidated obligations as part of the preparation for the Umoja implementation and the IPSAS opening balances validation process	The recommendation is considered implemented because of the noted improvements on the submissions of inter-organizational vouchers and the review and reporting of the outstanding unliquidated obligations as liabilities under IPSAS	X				
6.	2012-2013 A/69/5/Add.9, chap. II, para. 39	(a) Set a timeline to implement the resolution of its Governing Council in identifying a suitable partner to run the Experimental Reimbursable Seeding Operations Trust Fund and draw up comprehensive terms of reference for adequate operations and risk management, (b) set up and document a clear monitoring and assurance framework for the use and accountability of Experimental Reimbursable Seeding Operations funds, and (c) closely follow up the	(a) UN-Habitat updated its Committee of Permanent Representatives on 23 November 2012 on the status of the implementation of its Governing Council's resolution 23/10, indicating that it had been unable to find a suitable partner or structure to which to transfer the Experimental Reimbursable Seeding Operations portfolio. As a result, and also considering the small size of the portfolio, UN-Habitat will administer the operation of the portfolio in-house	Management has started implementation of the recommendation by updating its Committee of Permanent Representatives; we are awaiting the Governing Council's conclusion on the matter The Board noted that the Council meeting was held from 17 to 23 April 2015, although no feedback has been received		X				

No.	Audit report year and reference	Board's recommendations	UN-Habitat responses	Board's assessment	Status after verification				
					Implemented	Under implementation	Not implemented	Overtaken by events	Reiterated
		repayment from each borrower and ensure they adhere to the repayment schedule	(b) As part of this process, UN-Habitat undertook field mission visits in February and March 2015 to conduct surveys of individual beneficiaries of Experimental Reimbursable Seeding Operations-funded projects in Nepal, Nicaragua and Uganda to ascertain whether individual loans have been used by end users for the intended purposes of respective projects. The results gathered were satisfactory and demonstrated that the funds were being used for the intended purposes. A final mission to the Occupied Palestine Territories was scheduled for May 2015 (c) UN-Habitat has also closely monitored the loan repayment, which has been on schedule with no defaults to date. UN-Habitat was to provide an update on the findings of the surveys of the project beneficiaries and the status of the loan repayment to the Board of Auditors in April 2015					
7	2012-2013 A/69/5/Add.9, chap. II, para. 42	Comply with the United Nations Procurement Manual and use a competitive procurement process wherever possible. Where UN-Habitat has to use the ex post facto process, the reasons for doing so should be documented and approval secured from the local committee on contracts	UN-Habitat, in conjunction with the United Nations Office at Nairobi, established a process to monitor and clear any procurement exception	In the light of management's reply and the Board's confirmation that UN-Habitat has established a process to monitor and clear procurement exceptions, the recommendation is considered implemented	X				

No	Audit report year and reference	Board's recommendations	UN-Habitat responses	Board's assessment	Status after verification				
					Implemented	Under implementation	Not implemented	Overtaken by events	Reiterated
8	2012-2013 A/69/5/Add.9, chap. II, para. 46	(a) Monitor all United Nations at Nairobi contract management activities where it is a main beneficiary by ensuring, where appropriate, that competitive bidding procedures are used before awarding any consultancy contracts, and (b) enforce the registration requirement for all selected consultants	UN-Habitat, with assistance from the United Nations Office at Nairobi, is issuing all procurement contracts in compliance with applicable rules and regulations. UN-Habitat, through the United Nations Office at Nairobi, is also ensuring proper registration of selected vendors	In the light of management's reply and the Board's verification of management measures, the recommendation is considered implemented	X				
9	2012-2013 A/69/5/Add.9, chap. II, para. 50	Introduce cost-effective mitigation procedures such as opening official bank accounts and including penalty recovery clauses in the contracts with team leaders	The Sudan country office of UN-Habitat has converted the type of contracts for three staff members from service contracts to fixed-term contracts. All relevant advances have been provided to fixed-term contract holders, including the Head of Country Programme (P-5 level). In addition, the office ensures that advances are sent to a single staff member, and he or she is required to liquidate the first advance before being given a second one	The recommendation is considered implemented	X				
10	2010-2011 A/67/5/Add.8, chap. II, para. 24	Review the costs and benefits of introducing procedures to mitigate exchange rate risks and losses. In coordination with the United Nations Office at Nairobi, and subject to guidance from United Nations Headquarters, this could include commercially available solutions	The UN-Habitat treasury is administered by the United Nations Office at Nairobi, under the guidance of the United Nations Department of Management in New York. The implementation of this recommendation is beyond the authority of UN-Habitat	UN-Habitat has not presented to the Board any evidence that shows the efforts of the management to communicate the matter to the United Nations Department of Management in New York. Therefore, the Board reiterates its recommendation					X

No.	Audit report year and reference	Board's recommendations	UN-Habitat responses	Board's assessment	Status after verification				
					Implemented	Under implementation	Not implemented	Overtaken by events	Reiterated
11	2010-2011 A/67/5/Add.8, chap. II, para. 36	Set up specific arrangements to fund its liabilities for end-of-service and post-retirement benefits, for consideration and approval by its Governing Council and the General Assembly	UN-Habitat has sought and is awaiting guidance from United Nations Headquarters and, depending upon the advice received, may seek relevant authorization from the General Assembly and its own Governing Council	Guidance has not yet been issued		X			
12	2010-2011 A/67/5/Add.8, chap. II, para. 39	UN-Habitat and the United Nations Office at Nairobi investigate all unsupported balances within its ledgers and take steps to cleanse the ledgers of these balances through appropriate write-offs	UN-Habitat, with assistance from the United Nations Office at Nairobi, has completed the review and made necessary adjustments in the ledgers	In the light of management's reply, together with the verification done during the opening balance audit, the recommendation is considered implemented	X				
13	2010-2011 A/67/5/Add.8 chap. II, para. 45	Establish a simple organization-wide risk management approach, building on its initial work and existing reporting arrangements, and aligned with recent United Nations Headquarters developments during 2012	Since the recommendation was issued, UN-Habitat has taken several steps and made significant improvements in establishing enterprise risk management. These steps include (a) contracting with an enterprise risk management consultant to assist with the implementation of the enterprise risk management for the terms of reference and for the report, (b) establishing enterprise risk management implementation guidelines, and (c) conducting critical risk assessment and implemented risk assessment templates embedded in the project document	In the light of management's reply and the Board's verification of the initiatives instituted by UN-Habitat in the implementation of enterprise risk management, the recommendation is considered implemented	X				
14	2010-2011 A/67/5/Add.8, chap. II, para. 69	(a) Verify that evidence to support reported performance is robust, and (b) given the number of activities that support its reported performance, consider adopting a sample-based verification process	A system was put in place 2013 to support the organization's documentation of evidence on its reported programme performance. Using the results framework for the 2008-2013 strategic plan, evidence on performance was collected with regard to reported progress on indicators for focus areas. This information is on a shared drive and accessible to all staff directly	In the light of management's reply and the Board's verification of the information on the shared drive, the recommendation is considered implemented	X				

No.	Audit report year and reference	Board's recommendations	UN-Habitat responses	Board's assessment	Status after verification			
					Implemented	Under implementation	Not implemented	Overtaken by events
			Significant progress has been made in strengthening the evidence to support the programme performance reporting of UN-Habitat for the 2014-2019 strategic plan In addition to the results framework, a performance measurement plan was developed with baselines and targets through which the baseline information has been captured for all indicators As the strategic plan is aligned with the biennial work programme, the baseline information has been fully captured in the Integrated Monitoring and Documentation System under indicator methodology Updates on the actual names of indicator data is captured in the System Using the programme performance data for 2014 (which is the first year of implementation of the new strategy), we are currently collecting evidence for all indicators and outputs, which will be tracked over a six-year period The system is accessible to managers and results-based management focal points for update through the shared drive As part of strengthening our programme performance self-assessment, our annual reports now include success stories and video documentaries that capture the voices of the beneficiaries from field projects The videos are accessible through YouTube and UN-Habitat websites				

No.	Audit report year and reference	Board's recommendations	UN-Habitat responses	Board's assessment	Status after verification				
					Implemented	Under implementation	Not implemented	Overtaken by events	Reiterated
15	2010-2011 A/67/5/Add.8, chap. II, para. 77	The Senior Management Committee should regularly review, at least every six months, performance and progress against the biennial work programme and budget, documenting its review and the actions to be taken	Senior management programme performance review meetings are held regularly to assess the overall delivery of the biennial work programme and budget as well as the implementation of the medium-term strategic plan. These meetings are also the clearing house of all programme performance reports before they are submitted to the Committee of Permanent Representatives and the donors. The meetings are attended by all members of the senior management team, including the Office of the Executive Director, Deputy Executive Director, Branch Coordinators, Regional Office Directors and unit heads. The meeting is facilitated by the Quality Assurance Unit, which prepares the programme performance analysis and presents it to senior management for discussion. The review covers key achievements in terms of the highlights of the results achieved during a 6-month or 12-month period, progress towards meeting indicator targets, status of the delivery of planned outputs, major challenges and risks, required actions and lessons learned	The Board reviewed minutes of the Senior Management Committee meetings that confirmed that meetings are conducted to review the performance. Therefore, the recommendation is considered implemented	X				

No.	Audit report year and reference	Board's recommendations	UN-Habitat responses	Board's assessment	Status after verification				
					Implemented	Under implementation	Not implemented	Overtaken by events	Reiterated
16	2014 A/70/5/Add.9, chap. II, para. 21	Strengthen its internal mechanisms to (a) improve the preparation, presentation and accuracy of financial statements, (b) develop its own standard operating procedure to provide guidance on the recording of and accounting for the assets that are not covered by the IPSAS policy framework, and (c) ensure that all outstanding concessionary loans are reported at fair value, in compliance with IPSAS provisions	(a) The United Nations Office at Nairobi prepared the 2015 financial statements in full compliance with IPSAS requirements, (b) a standard operating procedure to address non-serialized items was prepared by the Property Management Group for UN-Habitat, the United Nations Office at Nairobi and the United Nations Environment Programme, (c) calculations done by the United Nations Office at Nairobi show that any change will be immaterial	IPSAS-compliant financial statements were prepared, loan assessments were made and considered immaterial and a non-serialized standard operating procedure was submitted. Therefore, the recommendation is considered implemented	X				
17	2014 A/70/5/Add.9, chap. II, para. 25	(a) Identify the risks that might affect project implementation in advance of the execution phase to minimize the negative effects of delaying the intended benefits for the societies involved; and (b) plan and manage the recruitment process with respect to experts in the field office to ensure that there is timely and adequate staffing for improved project performance	(a) As part of its project development, UN-Habitat identifies project risks, (b) the regional office for Arab States analysed time taken for recruitment cases and was able to reduce recruitment time lag to a 30- to 35-day period	In the light of management's reply and the Board's verification, the recommendation is considered implemented	X				
18	2014 A/70/5/Add.9, chap. II, para. 30	Ensure that the Egypt country office (a) sensitize the community about the benefits in order to obtain the desired support from the stakeholders, and (b) plan for the procurement of materials in advance of a project's execution phase to facilitate the achievement of the milestones within the set time frame	(a) The Egypt country office now has regular meetings and interactions with community and government representatives to sensitize them about ongoing projects. For example, we coordinated regularly with the local government to sensitize them about the project objectives and the value added, which helped project implementation and enabled the project team to reach a good level of delivery	(a) UN-Habitat current projects are managed with the involvement of locals through their representatives, and a review of minutes was done	X				

No.	Audit report year and reference	Board's recommendations	UN-Habitat responses	Board's assessment	Status after verification				
					Implemented	Under implementation	Not implemented	Overtaken by events	Reiterated
			(b) The Egypt country office now has regular annual procurement planning in place	(b) The procurement plan has been prepared and the recommendation is considered implemented					
19	2014 A/70/5/Add.9, chap. II, para. 34	Streamline the payment processes and monitor their implementation to ensure adherence to its deadline of 35 days	UN-Habitat implemented Umoja and related new banking and payment processes and has revised its process flowchart for the community implementation agreements in the light of the new changes. The UN-Habitat country office in Myanmar has implemented a new payment target of 45 days, which is more realistic based on Umoja requirements	The Board has verified that the Umoja requirement extends payment processes in Myanmar to 45 days. The recommendation is considered implemented		X			
20	2014 A/70/5/Add.9, chap. II, para. 40	Ensure that the assessment of its achievements is more meaningful by collaborating with the Egypt country office to ensure that the annual workplans are aligned with performance indicators, targets and baseline data	The country office in Egypt strengthened its project development. An example of a logical framework for a new project that has just been approved by the Project Advisory Group, which will be the basis of our annual workplan formulation once the project is signed, along with a sheet that we prepared to guide the process of tracking progress towards the targets during the project implementation, have been provided to the Board. The Informal Settlement Development Facility project document has also been provided to the Board. Pages 17 and 18 explain the horizontal logic of monitoring progress towards results using various indicators set out to measure different levels of planning (activity, output and direct impact/change). The complete logical framework reflects the complete matrix.	In the light of management's reply and the Board's verification of developed projects, the recommendation is considered implemented		X			

No.	Audit report year and reference	Board's recommendations	UN-Habitat responses	Board's assessment	Status after verification				
					Implemented	Under implementation	Not implemented	Overtaken by events	Reiterated
			including the previously explained horizontal logic, in addition to the vertical chain, which shows the hierarchy of activities, key outputs and the main expected accomplishments of the project, which all contribute to the overall project goal						
21.	2014 A/70/5/Add.9, chap. II, para. 44	Consider the possibility of speeding up the process of fixing electronic barcodes on all assets under its control to ensure the completeness of the property, plant and equipment register	All field offices buying and receiving items are required to have barcode printers	A memorandum was circulated in May 2016 with respect to buying barcode printers for barcode printing. The Board considers the recommendation to be under implementation		X			
Total					**21**	**17**	**3**	**0**	**0**	**1**
Percentages					**100**	**81**	**14**	**0**	**0**	**5**

Annex II

Cases of fraud and presumptive fraud

No	Location of unit	Date of occurrence	Date reported or detected	Case reference number and nature	Amount involved (United States dollars)	Description of the issue	Condition or control weakness that facilitated the issue	Remedial action against the person involved	Amount recovered (United States dollars)	Loss suffered	Management action to deter recurrence
1	UN-Habitat country office in Pakistan	Multiple dates during the period 2009-2012	5 May 2013	OIOS case number 0318/13 Investigation report on fraud and conflict of interest by a staff member at UN-Habitat (0318/13), and OIOS case number 0585/13 Investigation report on fraud and conflict of interest by a staff member at UN-Habitat (0585/13)	Total of $328,301 to three different companies during the period 2009-2012	Two staff members were directly involved in the set-up and management of three companies, which they used to secure contract awards for the provision of satellite images totalling $328,301 from the UN-Habitat country office in Pakistan during the period 2009-2012. The two staff members abused their authority and office by playing an active and decisive role in all purchase orders issued to these companies	The two staff members were the ultimate requisitioners for the satellite images and played a key role in the bid analysis and award of the contracts	The Office of Internal Oversight Services (OIOS) investigated and concluded that the staff members failed to observe the standards of conduct expected of a United Nations civil servant. The staff members separated from UN-Habitat before the conclusion of the wrongdoing. UN-Habitat is also in consultation with the United Nations Office for Project Services and the Office of Legal Affairs and is considering the referral of the reports to the national authorities of the Member States concerned	Not applicable (see next column)	There was no direct financial loss as most contracts were awarded on the basis of the lowest compliant proposal and satellite images were provided as contracted. However in some cases, interference from the two staff members prevented a competitive bidding process from taking place	In March 2013, an OIOS internal audit tested the internal controls over procurement in the UN-Habitat country office in Pakistan and found them satisfactory. However, OIOS observed that there was no evidence that guidelines were in place for identifying, addressing and reporting presumptive fraud to UN-Habitat headquarters and thereafter to the Controller at United Nations Headquarters, as well as to the Board of Auditors. UN-Habitat has now developed such a mechanism

No.	*Location of unit*	*Date of occurrence*	*Date reported or detected*	*Case reference number and nature*	*Amount involved (United States dollars)*	*Description of the issue*	*Condition or control weakness that facilitated the issue*	*Remedial action against the person involved*	*Amount recovered (United States dollars)*	*Loss suffered*	*Management action to deter recurrence*
2	UN-Habitat country office in Liberia		10 February 2016	IS 2015 0191	$13,000	Upon request by UN-Habitat, the Office of Audit and Investigations investigated allegations of an administrative finance clerk embezzling a sum of money. It is alleged that the staff member, who possessed a letter of employment from the United Nations Development Programme (UNDP), misappropriated $13,000 from the safe of the UN-Habitat office in Monrovia	Custody of cash was entrusted to a local staff member who was not authorized to handle cash, coupled with a lack of proper oversight regarding the movement of funds from the office safe	The staff member's contract with UNDP was not renewed upon confirmation of the allegations	$3,400	$9,600	A memorandum is being drafted to (a) alert staff members that only staff members with authorization should handle petty cash and (b) ensure a regular and proper oversight of petty cash balances
3	UN-Habitat country office in Nigeria		30 September 2014	OIOS case number 0395/14	$3,794	OIOS received a report of possible misconduct involving funds relating to UN-Habitat. The report detailed that unused funds were handed over to an administrative assistant for return to the Treasury Service Unit. However, there was no evidence the unused funds were returned to the Unit	The assistant falsified official United Nations e-mails to conceal the misappropriation of the funds	The case was referred to the Office of Human Resources Management for the necessary disciplinary action to be taken against the staff member		$3,794	The case was referred to the Office of Human Resources Management for the necessary disciplinary action to be taken against the staff member

Annex III

Write-offs

Summary of assets written off

(United States dollars)

Category (assets, inventory, cash)	*Current year*	*Previous year*	*Increase (decrease)*
Cash	71.66	80 893.58	(80 821.92)
Assets	–	–	–
Total	**71.66**	**80 893.58**	(80 821.92)

Individual cases of write-off

No.	*Item*	*Location*	*Category*	*Reason for write-off*	*Approving authority*	*Date write-off approved*	*Actual date of write-off*	*Amount written off (United States dollars)*
1.	Travel advances	Nairobi	Cash	Uncollected	Director, Division of Administrative Services, United Nations Office at Nairobi	20 April 2015	31May 2016	55.62
2.	Travel advances	Nairobi	Cash	Uncollected	Director, Division of Administrative Services, United Nations Office at Nairobi	20 April 2015	31 May 2016	0.50
3.	Travel advances	Nairobi	Cash	Uncollected	Director, Division of Administrative Services, United Nations Office at Nairobi	20 April 2015	31 May 2016	0.60
4.	Travel advances	Nairobi	Cash	Uncollected	Director, Division of Administrative Services, United Nations Office at Nairobi	20 April 2015	31 May 2016	8.15
5.	Travel advances	Nairobi	Cash	Uncollected	Director, Division of Administrative Services, United Nations Office at Nairobi	20 April 2015	31 May 2016	6.79
	Total							**71.66**

Chapter III
Certification of the financial statements

Letter dated 31 May 2016 from the Chief Finance Officer of the United Nations Office at Nairobi addressed to the Chair of the United Nations Board of Auditors

The financial statements of the United Nations Human Settlements Programme for the year ended 31 December 2015 have been prepared in accordance with financial rule 106.1 of the United Nations and rule 306.10 of the supplement to the Financial Regulations and Rules of the United Nations (ST/SGB/2015/4).

The summary of significant accounting policies applied in the preparation of these statements is included as notes to the financial statements. These notes, and the accompanying schedules, provide additional information and clarification of the financial activities undertaken by the United Nations Human Settlements Programme during the period covered by these statements.

The certification function defined in financial rules 105.5 and 105.7 to 105.9 of the United Nations is assigned to the United Nations Human Settlements Programme. Responsibility for the accounts and the performance of the approving function, as defined in article VI and financial rule 105.6 of the Financial Regulations and Rules of the United Nations, is assigned to the United Nations Office at Nairobi.

In accordance with the authority assigned to me, I hereby certify that the appended financial statements of the United Nations Human Settlements Programme for the year ended 31 December 2015 are correct.

(*Signed*) Christopher **Kirkcaldy**
Chief Finance Officer
United Nations Office at Nairobi

Chapter IV
Administration's financial overview for the year ended 31 December 2015

A. Introduction

1. The Executive Director has the honour to submit herewith the financial report and the financial statements of the United Nations Human Settlements Programme (UN-Habitat) for the year ended 31 December 2015. The financial statements consist of five statements and notes to the financial statements. In accordance with financial rule 106.10, these financial statements were to be transmitted to the Board of Auditors on 31 March 2016 but have been exceptionally issued on 31 May 2016.

2. The financial year 2015 was marked by the transition of the United Nations Human Settlements Programme to the new enterprise resource planning system based on SAP. This new system, Umoja, is now the central administrative solution in the areas of budget execution, procurement, logistics, grants management, asset management and financial accounting, and also includes an array of self-service functionalities, enabling a more modern, efficient and transparent way of managing the organization's resources. Umoja also facilitates reporting on the financial position and performance of the organization based on the requirements of the International Public Sector Accounting Standards (IPSAS).

3. Regular budget funding, insofar as it relates to UN-Habitat, is included in United Nations Volume I, a related party (A/71/5 (Vol. I)), but for completeness has also been included in these financial statements.

4. The financial statements and schedules, as well as the notes thereon, are an integral part of the financial report.

B. Sustainability of the International Public Sector Accounting Standards

5. This is the second year that the financial statements of UN-Habitat have been prepared in accordance with IPSAS. To support continued IPSAS compliance, the organization has deployed an IPSAS sustainability plan with ongoing work efforts on five major components, which have been identified as the core pillars for IPSAS sustainability:

(a) Management of the benefits of IPSAS: this entails tracking and compiling IPSAS benefits and examining ways of using IPSAS-triggered information to better manage the organization;

(b) Strengthening of internal controls: this includes the deployment and ongoing management of the framework that will support a statement on internal controls;

(c) Management of the IPSAS regulatory framework: this includes active participation in the work of the IPSAS Board to formulate new International Public Sector Accounting Standards, or change existing standards, and the related update of

the United Nations Policy Framework for IPSAS, financial rules and guidance, as well as the related changes to systems and processes;

(d) Maintaining the integrity of Umoja as the backbone for IPSAS compliant accounting and reporting: work in this area includes ensuring IPSAS-compliant processes for new programmes and activities and automating the production of financial statements through the use of Umoja;

(e) Continued IPSAS training and the deployment of a skills strategy that will support a strengthened finance function.

C. Overview

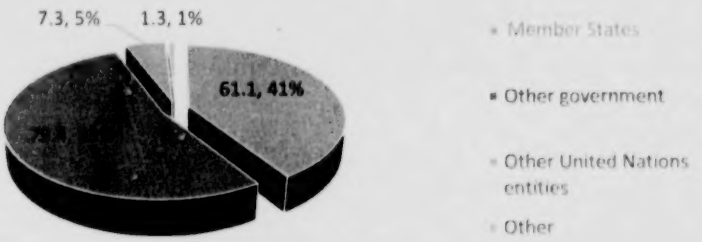
6. Statements I to IV show the consolidated figure for all activities of UN-Habitat, comprising the Foundation General Purpose Fund, the regular budget, other trust funds supporting the programme of work of UN-Habitat and end-of-service and retirement benefits for the year ended 31 December 2015. Statement V reports on all segments except the programme support and end-of-service and post-retirement benefits.

7. Given that this is the second year of IPSAS, comparison between the year ended 31 December 2014 and the current reporting date is provided.

7.1. Figure IV.I shows the distribution of contributions by type of payment source.

Figure IV.I
Distribution of contributions by type of payment source

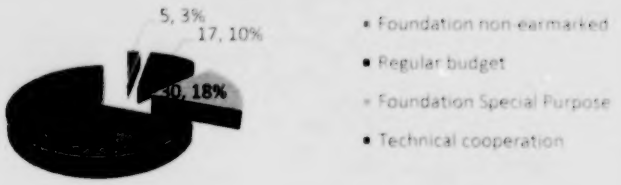
(Millions of United States dollars)



7.2 Figure IV.II shows income distribution by segment before elimination.

Figure IV.II
Income distribution by segment before elimination

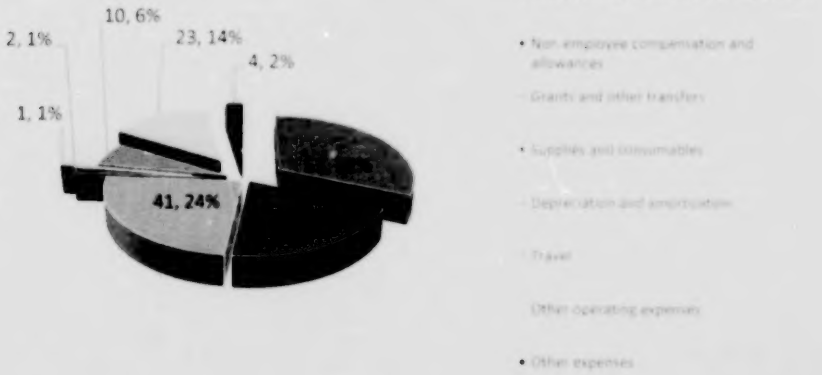
(Millions of United States dollars)



7.3 Expenditure for the year ended 31 December 2015 by nature of expense is shown in figure IV.III.

Figure IV.III
Expenditure for the year ended 31 December 2015 by nature of expense

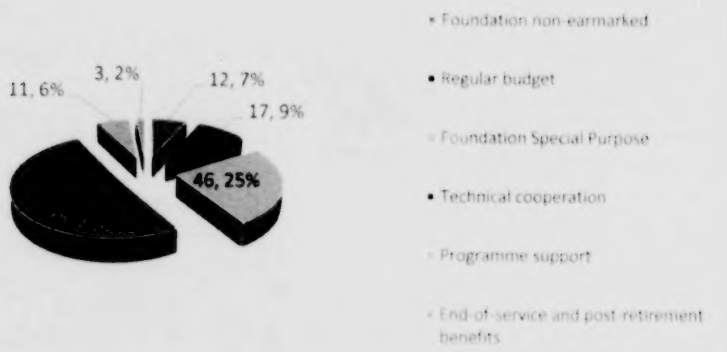
(Millions of United States dollars)



7.4 Figure IV.IV shows expenditure distribution between segments before elimination.

Figure IV.IV
Expenditure distribution between segments before elimination

(Millions of United States dollars)



8. The cash and cash equivalents position as at 31 December 2015 decreased by $9.9 million (21.1 per cent) to $36.8 million, from 46.7 million.

9. Total assets decreased by $18.6 million (4.3 per cent) to $416.6 million, from $435.2 million.

10. Total liabilities decreased by $5.7 million (5.1 per cent) to $106.3 million, from $112.0 million.

11. The net assets decreased by $12.9 million (4.0 per cent) to $310.4 million, from $323.2 million.

12. Table IV.1 summarizes other key indicators for UN-Habitat for the year ended 31 December 2015 compared with the year ended 31 December 2014.

Table IV.1
Other key indicators

(Millions of United States dollars)

	2015	*2014*	*Increase (decrease)*	*Per cent change*
Cash and cash equivalents	36.8	46.7	(9.9)	(21.1)
Short-term investments	99.7	76.2	23.5	30.8
Long-term investments	65.8	62.4	3.4	5.4
Total cash and investments	**202.3**	**185.3**	**17.0**	**9.2**
Contributions receivable	160.0	185.3	(25.3)	(13.7)
Loans receivable	0.9	1.6	(0.7)	(45.0)
Total receivables	**160.9**	**186.9**	**(26.0)**	**(13.9)**
Advance transfers	31.1	36.8	(5.7)	(15.6)
Other assets	10.1	24.1	(14.0)	(58.0)
Accounts payable and accrued payables	20.6	19.5	1.1	5.7
Employee benefits liabilities	38.5	35.9	2.6	7.3
Other liabilities	47.1	56.6	(9.5)	(16.7)

D. End-of-service and post-retirement accrued liabilities

13. The UN-Habitat statements reflect the end-of-service and post-retirement benefits, comprising after-service health insurance liabilities, annual leave and repatriation benefits. It is to be noted that UN-Habitat makes monthly provisions for repatriation benefits at 8 per cent of net salary.

14. The 31 December 2015 accrued balances have been adjusted to reflect the estimated liabilities as at 31 December 2015, as reflected in the 2015 actuarial study carried out by a consulting firm engaged by the United Nations Secretariat on behalf of UN-Habitat. By fully charging these liabilities as at 31 December 2015, an amount of $31.5 million of cumulative unfunded expenditure is included in the cumulative surplus/(deficit) amount in the statement of net assets (statement III).

Chapter V

Financial statements and related explanatory notes for the year ended 31 December 2015

United Nations Human Settlements Programme

I. Statement of financial position as at 31 December 2015

(Thousands of United States dollars)

	Notes	*31 December 2015*	*31 December 2014*
Assets			
Current assets			
Cash and cash equivalents	7	36 835	46 738
Short-term investments	8	99 659	76 194
Voluntary contributions receivable	9	159 534	185 274
Other accounts receivable	10	54	5
Loans receivable	11	493	109
Advance transfers	12	31 073	36 752
Other assets	13	10 113	24 129
Total current assets		**337 761**	**369 201**
Non-current assets			
Long-term investments	8	65 750	62 371
Voluntary contributions receivable	9	462	–
Loans receivable	11	387	1 509
Property, plant and equipment	15	12 246	2 115
Intangibles	16	28	–
Total non-current assets		**78 873**	**65 995**
Total assets		**416 634**	**435 196**
Liabilities			
Current liabilities			
Accounts payable and accrued payables	17	20 605	19 514
Employee benefits liabilities	18	3 178	2 178
Other liabilities	20	47 137	56 598
Total current liabilities		**70 920**	**78 290**
Non-current liabilities			
Employee benefits liabilities	18	35 355	33 679
Total non-current liabilities		**35 355**	**33 679**
Total liabilities		**106 275**	**111 969**
Net assets			
Accumulated surpluses/(deficits), unrestricted	21	287 482	298 292
Accumulated surplus, restricted	21	–	–
Reserves	21	22 877	24 935
Total net assets		**310 359**	**323 227**
Total liabilities and net assets		**416 634**	**435 196**

The accompanying notes to the financial statements are an integral part of these financial statements.

United Nations Human Settlements Programme

II. Statement of financial performance for the year ended 31 December 2015

(Thousands of United States dollars)

	Notes	*31 December 2015*	*31 December 2014*
Revenue			
Assessed contributions, regular budget	22	16 935	12 489
Voluntary contributions	22	148 035	183 154
Other transfers and allocations	22	1 000	8 122
Investment revenue	25	915	1 090
Other revenue	23	75	585
Total revenue		**166 960**	**205 440**
Expenses			
Employee salaries, allowances and benefits	24	52 773	51 528
Non-employee compensation and allowances	24	33 540	29 559
Grants and other transfers	24, 30	40 866	45 369
Supplies and consumables		1 751	3 706
Depreciation and amortization	15, 16	688	714
Travel		9 898	7 670
Other operating expenses	24	23 247	52 754
Other expenses	24	4 299	2 721
Total expenses		**167 062**	**194 021**
Surplus/(deficit) for the period		**(102)**	**11 419**

The accompanying notes to the financial statements are an integral part of these financial statements.

United Nations Human Settlements Programme

III. Statement of changes in net assets for the year ended 31 December 2015

(Thousands of United States dollars)

	Accumulated surpluses (deficits), unrestricted	*Accumulated surplus, restricted*	*Reserves*	*Total*
Net assets, 1 January 2015	**298 292**	**–**	**24 935**	**323 227**
Changes in net assets				
Transfer from/to reserves[a]	2 058	–	(2 058)	–
Other adjustments to net assets	(13 321)	–	–	(13 321)
Actuarial gains and losses	555	–	–	555
Total items recognized directly in net assets	**(10 708)**		**(2 058)**	**(12 766)**
Surplus/(deficit) for period	(102)	–	–	(102)
Net movement in net assets	**(10 810)**	**–**	**(2 058)**	**(12 868)**
Net assets, 31 December 2015	**287 482**	**–**	**22 877**	**310 359**

[a] Foundation non-earmarked segment reserves adjusted to 10 per cent of the general purpose budget as recommended by the Governing Council of the United Nations Human Settlements Programme (see HPS/GC/24/5, paras. 67 and 68).

The accompanying notes to the financial statements are an integral part of these financial statements.

United Nations Human Settlements Programme

IV. Statement of cash flows for the year ended 31 December 2015

(Thousands of United States dollars)

	Notes	*31 December 2015*	*31 December 2014**
Cash flows from operating activities			
Surplus (deficit) for the period		(102)	11 419
Non-cash movements			
Depreciation and amortization	15, 16	688	714
Net loss on disposal of property, plant and equipment and inventory		13	455
Increase/(decrease) in allowance for doubtful receivables		3 898	48
Donations of property, plant and equipment		(203)	–
Current service and interest cost on employee benefits liabilities		2 725	3 334
Changes in assets			
(Increase)/decrease in voluntary contributions receivable		21 985	13 063
(Increase)/decrease in loans receivable		138	155
(Increase)/decrease in advance transfers		5 679	(16 405)
(Increase)/decrease in other assets		13 962	(4 927)
Changes in liabilities			
Increase/(decrease) in accounts payable and accrued payables		1 093	(4 138)
Increase/(decrease) in employee benefits		506	(997)
Increase/(decrease) in provisions			
Increase/(decrease) in other liabilities		(9 461)	(25 124)
Investment revenue presented as investing activities		(915)	(1 090)
Net cash flows from operating activities		**40 006**	**(23 493)**
Cash flows from investing activities			
(Increase)/decrease in the cash pools		(26 846)	31 705
Acquisitions of property, plant and equipment	15	(10 625)	(541)
Disposals of property, plant and equipment			
Acquisitions of intangibles	16	(32)	–
Investment revenue presented as investing activities		915	1 090
Net cash flows from investing activities		**(36 588)**	**32 254**
Cash flows from financing activities			
Adjustment to fund balances		(13 321)	1 250
Net cash flows from financing activities		**(13 321)**	**1 250**
Net increase/(decrease) in cash and cash equivalents		**(9 903)**	**10 011**
Cash and cash equivalents, beginning of period		46 738	36 727
Cash and cash equivalents, end of period	7	**36 835**	**46 738**

* Comparatives have been restated to conform to current presentation

The accompanying notes to the financial statements are an integral part of these financial statements

United Nations Human Settlements Programme

V. Statement of comparison of budget and actual amounts for the year ended 31 December 2015

(Thousands of United States dollars)

Budget part	*Publically available budget*[a]			*Actual expenditure (budget basis)*	*Difference (percentage)*[b]
	Original biennial	*Original annual*	*Final annual*		
Foundation General Purpose					
Urban legislation, land and governance	3 113	1 557	261	300	(14.9)
Urban planning and design	4 237	2 118	1 028	1 237	(20.3)
Urban economy	3 349	1 674	461	235	49.0
Urban basic services	3 890	1 945	685	697	(1.8)
Housing and slum upgrading	3 638	1 819	459	172	62.5
Risk reduction and rehabilitation	4 426	2 213	758	713	5.9
Research and capacity development	4 453	2 227	208	409	(96.6)
Subtotal	**27 106**	**13 553**	**3 860**	**3 763**	**2.5**
Executive direction	13 776	6 888	5 165	4 611	10.7
Programme support	4 736	2 368	2 707	2 734	(1.0)
Total Foundation General Purpose	**45 618**	**22 809**	**11 732**	**11 108**	**5.3**
Foundation Special Purpose	123 188	61 594	70 919	59 035	16.8
Regular budget					
Sections 15 and 23	21 217	11 630	12 390	14 286	(15.3)
Development account	3 332	1 666	1 596	1 380	13.6
Habitat III	2 044	1 911	1 704	1 523	10.6
Total regular budget	**26 593**	**15 207**	**15 690**	**17 189**	**(9.6)**
Technical cooperation	202 482	101 241	180 262	164 709	8.6
Grand total	**397 881**	**200 851**	**278 603**	**252 041**	**9.5**

[a] Budget relates to the current year proportion of publically available budgets which are approved for a two-year period.

[b] Actual expenditure (budget basis) less final budget. Differences greater than 10 per cent are considered in note 6.

The accompanying notes to the financial statements are an integral part of these financial statements.

United Nations Human Settlements Programme

Notes to the financial statements

Note 1
Reporting entity

United Nations Human Settlements Programme and its activities

1. On 16 December 1974, the General Assembly adopted resolution 3327 (XXIX), by which it created the United Nations Habitat and Human Settlements Foundation.

2. On 19 December 1977, the General Assembly adopted resolution 32/162, by which it established a secretariat (the United Nations Centre for Human Settlements (Habitat)) and a Commission on Human Settlements.

3. On 21 December 2001, the General Assembly adopted resolution 56/206, by which, with effect from 1 January 2002, it transformed the United Nations Centre for Human Settlements, including the United Nations Habitat and Human Settlements Foundation, into the United Nations Human Settlements Programme (UN-Habitat) and the Commission on Human Settlements into the Governing Council of the United Nations Human Settlements Programme. By the same resolution, the Assembly confirmed that the Executive Director of the United Nations Human Settlements Programme should be responsible for the management of the United Nations Habitat and Human Settlements Foundation and UN-Habitat would become an autonomous body and a separate reporting entity within the United Nations.

4. UN-Habitat is supported by a United Nations regular budget allocation and voluntary contributions from governments, intergovernmental organizations, foundations, the private sector and other non-governmental sources. UN-Habitat headquarters is located on United Nations Avenue in Nairobi at the United Nations Office at Nairobi complex.

5. UN-Habitat undertook a major reform in 2011 to sharpen the programmatic focus of its mandate to address current strategic urbanization challenges and achieve more efficient and effective service delivery, with the goal of maintaining its role as the lead programme of the United Nations for providing guidance and technical support on sustainable urbanization and shelter, both globally and at regional and country levels.

6. The main strategic objectives of UN-Habitat are delivered through seven subprogrammes and various policies:

(a) Urban legislation, land and governance, which provides policy and operational support to governments and cities with respect to governance, legislation and land;

(b) Urban planning and design, which provides city and national governments with a set of tested approaches, guidelines and tools to support the management of growth and improved sustainability, efficiency and equity of cities through planning and design at different scales;

(c) Urban economy, which promotes urban strategies and policies that strengthen the capacity of cities to realize their potential as engines of economic development and also enhance their contribution to employment and wealth creation;

(d) Urban basic services, which focuses on strengthening policies and institutional frameworks for expanding access to urban basic services, specifically targeted at the urban poor;

(e) Housing and slum upgrading, which advocates a twin-track approach to improve the supply and affordability of new housing alongside the implementation of citywide and national slum-upgrading programmes to improve housing conditions and quality of life for the urban poor;

(f) Risk reduction and rehabilitation, which aims at reducing urban risk and responding to urban crises and supports crisis-affected cities in terms of disaster prevention and response;

(g) Research and capacity development, which monitors and reports results of global monitoring and assessment on urbanization statistics and indicators to governments and Habitat Agenda partners through its flagship reports;

(h) To improve the shelter conditions of the world's poor and to ensure the development of sustainable human settlements;

(i) To monitor and assess progress towards the attainment of the Habitat Agenda goals and the targets of the Millennium Declaration and the Johannesburg Plan of Implementation on slums, safe drinking water and sanitation;

(j) To strengthen the formulation and implementation of urban and housing policies, strategies and programmes and to develop related capacities, primarily at the national and local levels;

(k) To facilitate the mobilization of investments from international and domestic sources in support of adequate shelter, related infrastructure development programmes and housing finance institutions and mechanisms, particularly in developing countries and in countries with economies in transition.

United Nations Human Settlements Programme

7. The United Nations Human Settlements Programme (the organization) is a separate financial reporting entity of the United Nations system and its financial statements include general and related funds, technical cooperation activities, general trust funds and other activities.

Note 2
Basis of preparation and authorization for issue

Basis of preparation

8. In accordance with the Financial Regulations and Rules of the United Nations, the financial statements are prepared on an accrual basis in accordance with the International Public Sector Accounting Standards (IPSAS). In accordance with the requirements of IPSAS, these financial statements, which present fairly the assets,

liabilities, revenue and expenses of the United Nations Human Settlements Programme, and the cash flows over the financial year, consist of the following:

(a) Statement I: statement of financial position;

(b) Statement II: statement of financial performance;

(c) Statement III: statement of changes in net assets;

(d) Statement IV: statement of cash flows;

(e) Statement V: statement of comparison of budget and actual amounts;

(f) Summary of significant accounting policies and other explanatory notes.

9. The financial statements have been prepared on a going-concern basis and the accounting policies, as summarized in note 3, have been applied consistently in the preparation and presentation of these financial statements.

10. This is the second set of financial statements prepared in compliance with IPSAS, which includes the application of certain transitional provisions as identified below. Prior to 1 January 2014, the financial statements were prepared in accordance with the United Nations system accounting standards (UNSAS), a modified accrual basis of accounting.

11. The adoption of the new accounting standards, including the related IPSAS-compliant policies, has resulted in changes to the assets and liabilities recognized in the statement of financial position.

Authorization for issue

12. These financial statements are certified by the Chief Financial Officer of the United Nations Office at Nairobi and approved by the Executive Director of the United Nations Human Settlements Programme. In accordance with the Financial Regulations and Rules of the United Nations, these financial statements as at 31 December 2015 are to be transmitted to the Board of Auditors by 31 March 2016. These financial statements are exceptionally transmitted by 31 May 2016.

Measurement basis

13. The financial statements are prepared using the historic cost convention except for certain assets as stated in the notes to the financial statements. The financial statements are prepared for the 12-month period from 1 January to 31 December.

Functional and presentation currency

14. The functional currency and the presentation currency of the organization is the United States dollar. The financial statements are expressed in thousands of United States dollars unless otherwise stated.

15. Foreign currency transactions are translated into United States dollars at the United Nations operational rate of exchange as at the date of the transaction. The operational rate of exchange approximates the spot rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies, those other than the functional currency, are translated at the operational rate of

exchange year-end rate. Non-monetary foreign currency items measured at historical cost or fair value are translated at the operational rate of exchange prevailing at the date of the transaction or when the fair value was determined.

16. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year-end exchange rates are recognized in the statement of financial performance on a net basis.

Materiality and use of judgment and estimates

17. Materiality is central to the preparation and presentation of the organization's financial statements and its materiality framework provides a systematic method in guiding accounting decisions relating to presentation, disclosure, aggregation, offsetting and retrospective versus prospective application of changes in accounting policies. In general, an item is considered material if its omission or its aggregation would affect the conclusions or decisions of the users of the financial statements.

18. Preparing financial statements in accordance with IPSAS requires the use of estimates, judgments and assumptions in the selection and application of accounting policies and in the reported amounts of certain assets, liabilities, revenues and expenses.

19. Accounting estimates and underlying assumptions are reviewed on an ongoing basis, and revisions to estimates are recognized in the year in which the estimates are revised and in any future year affected. Significant estimates and assumptions that may result in material adjustments in future years include: actuarial measurement of employee benefits; selection of useful lives and the depreciation/amortization method for property, plant and equipment/intangible assets; impairment of assets; classification of financial instruments; valuation of inventory; inflation and discount rates used in the calculation of the present value of provisions; and classification of contingent assets/liabilities.

Future accounting pronouncements

20. The progress and impact of the following significant future IPSAS Board accounting pronouncements on the organization's financial statements continues to be monitored:

(a) Public sector-specific financial instruments: to develop this accounting guidance, the project will focus on issues related to public sector-specific financial instruments which are outside the scope of those covered by IPSAS 28: Financial instruments: presentation; IPSAS 29: Financial instruments: recognition and measurement; and IPSAS 30: Financial instruments: disclosures;

(b) Public sector combinations: the project will prescribe the accounting treatment for public sector combinations and develop a new standard setting out the classification and measurement of public sector combinations (i.e., transactions or other events that bring two or more separate operations into a single public sector entity);

(c) Heritage assets: the project objective is to develop accounting requirements for heritage assets;

(d) Non-exchange expenses: the aim of the project is to develop a standard (or standards) that provides recognition and measurement requirements applicable to providers of non-exchange transactions, except for social benefits;

(e) Revenue: the aim of the project is to develop new standards-level requirements and guidance on revenue to amend or supersede those currently located in IPSAS 9: Revenue from exchange transactions; IPSAS 11: Construction contracts; and IPSAS 23: Revenue from non-exchange transactions (taxes and transfers);

(f) Employee benefits: the objective is to issue a revised IPSAS 25: Employee benefits, which will converge with the underlying International Accounting Standard 19: Employee benefits;

(g) Consequential amendments arising from chapters 1-4 of the Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities: the project objective is to make revisions to IPSAS standards that reflect concepts from these chapters, in particular the objectives of financial reporting and the qualitative characteristics and constraints of information.

Future pronouncements of the International Public Sector Accounting Standards Board

21. On 30 January 2015, the IPSAS Board published five new standards: IPSAS 34: Separate financial statements; IPSAS 35: Consolidated financial statements; IPSAS 36: Investments in associates and joint ventures; IPSAS 37: Joint arrangements; and IPSAS 38: Disclosure of interests in other entities. Initial application of these standards is required for periods beginning on or after 1 January 2017. Their impact on the organization's financial statements for the year ending 31 December 2017 and the comparative period therein has been evaluated to be as follows:

IPSAS	*Anticipated impact in the year of adoption*
IPSAS 34	The requirements for separate financial statements in IPSAS 34 are very similar to the current requirements in IPSAS 6: Consolidated and separate financial statements. However, given that the Financial Regulations and Rules of the United Nations do not require separate financial statements, introduction of IPSAS 34 is not expected to impact the financial statements included in United Nations Volume I (A/71/5 (Vol. I)).
IPSAS 35	IPSAS 35 still requires that control be assessed with regard to benefits and power, but the definition of control has changed and the standard now provides considerably more guidance on assessing control. Management is assessing the interests in other reporting entities and arrangements in United Nations Volume I to ensure compliance with the revised definitions. The other key change introduced by IPSAS 35 is the elimination of the IPSAS 6 exemption from consolidation of temporarily controlled entities; the preparation of financial statements for periods beginning on or after 1 January 2017 will include assessment of temporarily controlled entities.

IPSAS	*Anticipated impact in the year of adoption*
IPSAS 36	A key change introduced by IPSAS 36 is the elimination of the IPSAS 7: Investments in associates, exemption from application of the equity method where joint control or significant influence is temporary; the preparation of financial statements for periods beginning on or after 1 January 2017 will include assessment of such arrangements. In addition, the scope of IPSAS 36 is limited to entities that are investors with significant influence over, or joint control of, an investee where the investment leads to the holding of a quantifiable ownership interest. The applicability of IPSAS 36 to United Nations Volume I is therefore limited, as interests generally do not involve a quantifiable ownership interest.
IPSAS 37	IPSAS 37 introduces new definitions and has a significant impact on the way joint arrangements are classified and accounted for. These financial statements include joint venture arrangements accounted for using the equity method. Where such arrangements are formed under a binding agreement and assessed as being subject to joint control, they meet the IPSAS 37 definition of a joint arrangement. Where assessed as being a joint venture, that is, where the United Nations Volume I interest gives rise to rights over net assets, IPSAS 37 requires the equity method to be used; this will not represent a change in accounting policy. If there are rights to assets and obligations for liabilities, the interest is classified as a joint operation and United Nations Volume I will account for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the IPSAS applicable to the particular assets, liabilities, revenues and expenses. United Nations Volume I is working with the other participants in these arrangements when developing its accounting policies under IPSAS 37.
IPSAS 38	This standard increases the extent of disclosures required for interest in other entities and has a significant impact on the financial statements set out in United Nations Volume I. The planning to implement these disclosures, including disclosures for the comparative period, began in 2016.

22. The progress and impact of these future accounting pronouncements on the financial statements of the United Nations Human Settlements Programme continue to be assessed and monitored.

Note 3
Significant accounting policies

Financial assets: classification

23. The organization classifies its financial assets in one of the following categories at initial recognition and re-evaluates the classification at each reporting date (see table below). Classification of financial assets primarily depends on the purpose for which the financial assets are acquired.

Categories of financial assets

Classification	*Financial assets*
Fair value through surplus or deficit	Investments in cash pools
Loans and receivables	Cash and cash equivalents and receivables

24. All financial assets are initially measured at fair value. The organization initially recognizes financial assets classified as loans and receivables on the date that they originated. All other financial assets are recognized initially on the trade date, which is the date the organization becomes party to the contractual provisions of the instrument.

25. Financial assets with maturities in excess of 12 months as at the reporting date are categorized as non-current assets in the financial statements. Assets denominated in foreign currencies are translated into United States dollars at the United Nations operational rate of exchange prevailing as at the reporting date with net gains or losses recognized in surplus or deficit in the statement of financial performance.

26. Financial assets at fair value through surplus or deficit are those that have been either designated in this category at initial recognition or are held for trading or are acquired principally for the purpose of selling in the short term. These assets are measured at fair value at each reporting date, and any gains or losses arising from changes in the fair value are presented in the statement of financial performance in the period in which they arise.

27. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are initially recorded at fair value plus transaction costs and subsequently reported at amortized cost calculated using the effective interest method. Interest revenue is recognized on a time-proportion basis using the effective interest rate method on the respective financial asset.

28. Financial assets are assessed at each reporting date to determine whether there is objective evidence of impairment. Evidence of impairment includes default or delinquency of the counterparty or permanent reduction in value of the asset. Impairment losses are recognized in the statement of financial performance in the year they arise.

29. Financial assets are derecognized when the rights to receive cash flows have expired or have been transferred and the organization has transferred substantially all risks and rewards of the financial asset.

30. Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

Financial assets: investment in cash pools

31. The United Nations Treasury invests funds pooled from the United Nations Secretariat entities and other participating entities. These pooled funds are combined in two internally managed cash pools. Participation in the cash pools implies sharing the risk and returns on investments with the other participants. Since the funds are commingled and invested on a pool basis, each participant is exposed to the overall risk of the investments portfolio to the extent of the amount of cash invested.

32. The organization's investment in the cash pools is included as part of cash and cash equivalents and short- and long-term investments in the statement of financial position depending on the maturity period of the investments.

Financial assets: cash and cash equivalents

33. Cash and cash equivalents comprise cash at bank and on hand, and short-term, highly liquid investments with a maturity of three months or less from the date of acquisition.

Financial assets: receivables from non-exchange transactions, contributions receivable

34. Contributions receivable represent uncollected revenue from assessed and voluntary contributions committed to the organization by Member States, non-Member States and other donors based on enforceable agreements. These non-exchange receivables are stated at nominal value, less impairment for estimated irrecoverable amounts.

35. Voluntary contributions receivable and other accounts receivable are subject to an allowance for doubtful receivables that is calculated at a rate of 25 per cent for outstanding receivables between one and two years, 60 per cent for those between two and three years and 100 per cent for those in excess of three years.

36. For assessed contributions receivable, the allowance is calculated at a rate of 20 per cent for those outstanding between one and two years, 60 per cent for those between two and three years, 80 per cent for those between three and four years and 100 per cent for those over four years.

Financial assets: receivable from exchange transactions, other accounts receivable

37. Other receivables primarily include amounts receivable for goods or services provided to other entities, amounts receivable for operating lease arrangements and receivables from staff. Receivables from other United Nations reporting entities are also included in this category.

Financial assets: loans receivable

38. Loans receivable consist of loans that have been given out to implementing partners under a revolving housing finance loan fund programme called Experimental Reimbursable Seeding Operations and is receivable in accordance with the amortization schedules. These loans are given at below-market rates.

Investments accounted for using the equity method

39. The equity method initially records an interest in a jointly controlled entity at cost, and is adjusted thereafter for the post-acquisition change in the organization's share of net assets. The organization's share of the surplus or deficit of the investee is recognized in the statement of financial performance. The interest is recorded under investments unless there is a net liability position, in which case it is recorded under other liabilities. The organization also has entered into arrangements for jointly financed activities where the interests in these jointly financed activities are accounted for using the equity method.

Other assets

40. Other assets include education grant advances and prepayments that are recorded as an asset until goods are delivered or services are rendered by the other party, at which point the expense is recognized.

Advance transfers

41. Advance transfers mainly relate to cash transferred to executing agencies/implementing partners as an advance in order for them to provide agreed goods or services. Advances issued are initially recognized as assets, and then expenses are recognized when goods are delivered or services are rendered by the executing agencies/implementing partners and confirmed by receipt of certified expense reports as applicable. In instances where the partner has not provided financial reports as expected, programme managers make an informed assessment as to whether an accrual is needed. Balances due for a refund are transferred to other receivables where necessary and are subject to an allowance for doubtful receivables.

Inventories

42. Inventory balances are recognized as current assets and include the categories and subcategories set out in the table below.

Categories and subcategories of inventory balances

Categories	*Subcategories*
Held for sale or external distribution	Books and publications, stamps
Raw materials and works in progress associated with items held for sale or external distribution	Construction materials/supplies, works in progress
Strategic reserves	Fuel reserves, bottled water and rations reserves
Consumables and supplies	Material holdings of consumables and supplies, including spare parts and medicines

43. The organization's inventories include assets held for sale or external distribution, raw materials and works in progress associated with items held for sale or external distribution, and strategic reserves of consumables and supplies.

44. The cost of inventory in stock is determined using the average price cost basis. The cost of inventories includes the cost of purchase plus other costs incurred in bringing the items to the destination and condition for use. Inventory acquired through non-exchange transactions (i.e., donated goods) are measured at fair value as at the date of acquisition. Inventories held for sale are valued at the lower of cost and net realizable value. Inventories held for distribution at no/nominal charge or for consumption in the production of goods/services are valued at the lower of cost and current replacement cost.

45. The carrying amount of inventories is expensed when inventories are sold, exchanged, distributed externally or consumed by the organization. Net realizable value is the net amount that is expected to be realized from the sale of inventories in the ordinary course of operations. Current replacement cost is the estimated cost that would be incurred to acquire the asset.

46. Inventories are subject to physical verification based on value and risk as assessed by management. Valuations are net of write-downs from cost to current replacement cost/net realizable value, which are recognized in the statement of financial performance.

Heritage assets

47. Heritage assets are not recognized in the financial statements but significant heritage assets are disclosed in the notes to the financial statements.

Property, plant and equipment

48. Property, plant and equipment are classified into different groupings of similar nature, functions, useful life and valuation methodologies as: vehicles; prefabricated buildings; communication and information technology equipment; machinery and equipment; furniture and fixtures; and real estate assets (building, infrastructure and assets under construction). Recognition of property, plant and equipment involves the following:

(a) All property, plant and equipment other than real estate assets are stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost comprises the purchase price, any costs directly attributable to bringing the asset to its location and condition and the initial estimate of dismantling and site restoration costs;

(b) Owing to the absence of historical cost information, real estate assets are initially recognized using a depreciated replacement cost methodology. Baseline costs per baseline quantity have been calculated by collecting construction cost data, utilizing in-house cost data (where it exists) or using external cost estimators for each catalogue of real estate assets. The baseline costs per baseline quantity adjusted for price escalation factor, size factor and location factor are applied to value the real estate asset and determine the replacement cost;

(c) For property, plant and equipment acquired at nil or nominal cost including donated assets, the fair value as at the date of acquisition is deemed to be the cost to acquire;

(d) Property, plant and equipment are capitalized when their cost is greater or equal to the threshold of $5,000, or $100,000 for leasehold improvements and self-constructed assets.

49. Property, plant and equipment are depreciated over their estimated useful lives using the straight-line method up to their residual value, except for land and assets under construction, which are not subject to depreciation. Significant components of property, plant and equipment with different useful lives are depreciated using the components approach. Depreciation commences in the month when the organization gains control over an asset in accordance with international commercial terms and no depreciation is charged in the month of retirement or disposal. Given the expected pattern of usage of property, plant and equipment, the residual value is nil unless residual value is likely to be significant. The estimated useful lives of property, plant and equipment classes are set out in the table below.

Estimated useful lives of property, plant and equipment classes

Class	*Subclass*	*Estimated useful life*
Communications and information technology equipment	Information technology equipment	4 years
	Communication and audiovisual equipment	7 years
Vehicles	Light-wheeled vehicles	6 years
	Heavy-wheeled and engineering support vehicles	12 years
	Specialized vehicles, trailers and attachments	6 to 12 years
	Marine vessels	10 years
Machinery and equipment	Light engineering and construction equipment	5 years
	Medical equipment	5 years
	Security and safety equipment	5 years
	Mine detection and clearing equipment	5 years
	Accommodation and refrigeration equipment	6 years
	Water treatment and fuel distribution equipment	7 years
	Transportation equipment	7 years

Class	*Subclass*	*Estimated useful life*
	Heavy engineering and construction equipment	12 years
	Printing and publishing equipment	20 years
Furniture and fixtures	Library reference material	3 years
	Office equipment	4 years
	Fixtures and fittings	7 years
	Furniture	10 years
Buildings	Temporary and mobile buildings	7 years
	Fixed buildings, depending on type	25, 40 or 50 years
	Major exterior, roofing, interior and services/utilities components, where component approach is utilized	20 to 50 years
	Finance lease or donated rights-to-use buildings	Shorter of term of arrangement or life of building
Infrastructure assets	Telecommunications, energy, protection, transport, waste and water management, recreation, landscaping	Up to 50 years
Leasehold improvements	Fixtures, fittings and minor construction work	Shorter of lease term or 5 years

50. Where there is a material cost value of fully depreciated assets that are still in use, adjustments to accumulated depreciation and property, plant and equipment are incorporated into the financial statements to reflect a depreciation floor of 10 per cent of historical cost based on an analysis of the classes and useful lives of the fully depreciated assets, which revealed that the majority of such assets had relatively short useful lives of 10 years or less.

51. The organization elected to use the cost model for measurement of property, plant and equipment after initial recognition instead of the revaluation model. Costs incurred subsequent to initial acquisition are capitalized only when it is probable that future economic benefits or service potential associated with the item will flow to the organization and the subsequent cost exceeds the threshold for initial recognition. Repairs and maintenance are expensed in the statement of financial performance in the year in which they are incurred.

52. A gain or loss resulting from the disposal or transfer of property, plant and equipment arises where proceeds from disposal or transfer differ from its carrying

amount. Those gains or losses are recognized in the statement of financial performance within other revenue or other expenses.

53. Land, buildings and infrastructure assets with a year-end net book value greater than $100,000 are reviewed for impairment at each reporting date. The equivalent threshold for other property, plant and equipment items (excluding assets under construction and leasehold improvements) is $25,000. Impairment assessments are conducted when events or changes in circumstance indicate that carrying amounts may not be recoverable.

Intangible assets

54. Intangible assets are carried at cost less accumulated amortization and accumulated impairment loss. For intangible assets acquired at nil or nominal cost including donated assets, the fair value as at the date of acquisition is deemed to be the cost to acquire. The threshold for recognition is $100,000 for internally generated software and $5,000 per unit for externally acquired intangible assets.

55. Acquired computer software licenses are capitalized based on costs incurred to acquire and bring to use the specific software. Development costs that are directly associated with the development of software for use by the organization are capitalized as an intangible asset. Directly associated costs include software development employee costs, consultant costs and other applicable overhead costs.

56. Intangible assets with definite useful lives are amortized on a straight-line method over their estimated useful lives starting from the month of acquisition or when the intangible assets become operational.

57. The useful lives of major classes of intangible assets have been estimated in the table below.

Estimates of useful lives of major classes of intangible assets

Class	*Range of estimate of useful life*
Software acquired externally	3-10 years
Software developed internally	3-10 years
Licences and rights	2-6 years (period of licence/right)
Copyrights	3-10 years
Assets under development	Not amortized

58. Annual impairment reviews of intangible assets are conducted where assets are under construction or have an indefinite useful life. Other intangible assets are subject to impairment review only when there are indicators of impairment.

Financial liabilities: classification

59. Financial liabilities are classified as "other financial liabilities". They include accounts payable, transfers payable, unspent funds held for future refunds and other

liability such as inter-fund balances payable. Financial liabilities classified as other financial liabilities are initially recognized at fair value. Financial liabilities with a duration of less than 12 months are recognized at their nominal value. The organization re-evaluates classification of financial liabilities at each reporting date and derecognizes financial liabilities when its contractual obligations are discharged, waived, cancelled or expired.

Financial liabilities: accounts payable and accrued payables

60. Accounts payables and accrued expenses arise from the purchase of goods and services that have been received but not paid for as at the reporting date. They are stated at invoice amounts less payment discounts as at the reporting date. Payables are recognized and subsequently measured at their nominal value, as they are generally due within 12 months.

Financial liabilities: transfers payable

61. Transfers payable relates to amounts owed to executing entities/implementing agencies and partners and residual balances due to be returned to donors.

Advance receipts and other liabilities

62. Other liabilities consist of advance receipts relating to contributions or payments received in advance, liabilities for conditional funding arrangements, assessments or voluntary contributions received for future years and other deferred revenue. Advance receipts are recognized as revenue at the start of the relevant financial year or based on the organization's revenue recognition policies.

Leases: the organization as lessee

63. Leases of property, plant and equipment where the organization has substantially all of the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at the start of the lease at the lower of fair value or the present value of the minimum lease payments. The rental obligation, net of finance charges, is reported as a liability in the statement of financial position. Assets acquired under finance leases are depreciated in accordance with the organization's policy on property, plant and equipment. The interest element of the lease payment is charged to the statement of financial performance as an expense over the lease term based on the effective interest rate method.

64. Leases where all of the risks and rewards of ownership are not substantially transferred to the organization are classified as operating leases. Payments made under operating leases are charged to the statement of financial performance as an expense on a straight-line basis over the period of the lease.

Leases: the organization as lessor

65. The organization is the lessor for certain assets subject to operating leases. Assets subject to operating leases are reported within property, plant and equipment. Lease income from operating leases is recognized in the statement of financial performance over the lease term on a straight-line basis.

Donated rights to use

66. The organization occupies land and buildings and uses infrastructure assets, machinery and equipment through donated rights-to-use agreements granted primarily by host governments at nil or nominal cost. Based on the term of the agreement, and the clauses on transfer of control and termination contained in the agreement, the donated rights-to-use arrangement is accounted for as an operating lease or finance lease.

67. In the case of an operating lease, an expense and corresponding revenue equal to the annual market rent of similar properties is recognized in the financial statements. In the case of a finance lease (principally with a lease term of more than 35 years for premises), the fair market value of the property is capitalized and depreciated over the shorter of the useful life of the property or the term of the arrangement. If property is transferred with specific conditions, deferred revenue for the amount is recognized equal to the entire fair market value of the property (or share of the property) occupied by the organization, which is progressively recognized as revenue and offsets the corresponding depreciation charge. If property is transferred without any specific condition, revenue for the same amount is recognized immediately upon assuming control of the property. Donated rights-to-use land arrangements are accounted for as operating leases where the organization does not have exclusive control over the land and/or title to the land is transferred under restricted deeds.

68. Long-term donated rights-to-use building and land arrangements are accounted for as operating leases where the organization does not have exclusive control over the building and title to the land is not granted.

69. The threshold for the recognition of revenue and expense is a yearly rental value equivalent of $5,000 for donated rights-to-use premises and $5,000 for machinery and equipment.

Employee benefits

70. Employees comprise staff members, as described under Article 97 of the Charter of the United Nations, whose employment and contractual relationship is defined by a letter of appointment subject to regulations promulgated by the General Assembly pursuant to Article 101, paragraph 1, of the Charter.

71. Employee benefits are classified into short-term benefits, long-term benefits, post-employment benefits and termination benefits.

Short-term employee benefits

72. Short-term employee benefits are employee benefits (other than termination benefits) that are payable within 12 months after the end of the year in which the employee renders the related services. Short-term employee benefits comprise first-time employee benefits (assignment grants), regular daily/weekly/monthly benefits (wages, salaries, allowances), compensated absences (paid sick leave, maternity/paternity leave) and other short-term benefits (education grant, reimbursement of taxes, home leave) provided to current employees based on services rendered. All

such benefits which are accrued but not paid are recognized as current liabilities within the statement of financial position.

Post-employment benefits

73. Post-employment benefits comprise the after-service health insurance plan and end-of-service repatriation benefits that are accounted for as defined-benefit plans, in addition to the pension through the United Nations Joint Staff Pension Fund. The organization also has an after-service life insurance plan that covers life insurance premiums for eligible retirees; the post-employment benefit liability related to the after-service life insurance plan is not material.

Defined-benefit plans

74. Defined-benefit plans are those where the organization's obligation is to provide agreed benefits, and therefore the organization bears the actuarial risks. The liability for defined-benefit plans is measured at the present value of the defined-benefit obligation. Changes in the liability for defined-benefit plans, including actuarial gains and losses, are recognized in the statement of financial performance in the year in which they occur. The organization has elected to recognize changes in the liability for defined-benefit plans from actuarial gains and losses in surplus/deficit. As at end of the reporting year, the organization did not hold any plan assets as defined by IPSAS 25: Employee benefits.

75. The defined-benefit obligations are calculated by independent actuaries using the projected unit credit method. The present value of the defined-benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds with maturity dates approximating those of the individual plans.

76. After-service health insurance provides worldwide coverage for necessary medical expenses of eligible former staff members and their dependants. Upon end of service, staff members and their dependants may elect to participate in a defined-benefit health insurance plan of the United Nations, provided they have met certain eligibility requirements, including 10 years of participation in a United Nations health plan for those who were recruited after 1 July 2007 and 5 years for those who were recruited prior to this date. The after-service health insurance liability represents the present value of the share of the organization's medical insurance costs for retirees and the post-retirement benefit accrued to date by active staff. A factor in the valuation is to consider contributions by all plan participants in determining the organization's residual liability. Contributions from retirees are deducted from the gross liability and a portion of the contributions from active staff is also deducted to arrive at the organization's residual liability, in accordance with cost-sharing ratios authorized by the General Assembly.

77. Repatriation benefits: upon end of service, staff who meet certain eligibility requirements, including residency outside their country of nationality at the time of separation, are entitled to a repatriation grant which is based upon length of service, and travel and removal expenses. A liability is recognized from when the staff member joins the organization and is measured as the present value of the estimated liability for settling these entitlements.

78. Annual leave: the liabilities for annual leave represent unused accumulating compensated absence up to a maximum of 60 days, whereby an employee is entitled to monetary settlement of this balance upon separation from service. Therefore, the organization recognizes as a liability the actuarial value of the total accumulated leave days of all staff members as at the date of the statement of financial position.

Pension plan: United Nations Joint Staff Pension Fund

79. The organization is a member organization participating in the United Nations Joint Staff Pension Fund, which was established by the General Assembly to provide retirement, death, disability and related benefits to employees. The Pension Fund is a funded, multi-employer defined-benefit plan. As specified in article 3 (b) of the regulations of the Pension Fund, membership of the Fund shall be open to the specialized agencies and to any other international, intergovernmental organization that participates in the common system of salaries, allowances and other conditions of service of the United Nations and the specialized agencies. The plan exposes participating organizations to actuarial risks associated with the current and former employees of other organizations participating in the Pension Fund, with the result that there is no consistent and reliable basis for allocating the obligation, plan assets and costs to participating organizations. The organization, along with other participating organizations, is not in a position to identify its share of the defined-benefit obligation, the plan assets and the costs associated with the plan with sufficient reliability for accounting purposes. Therefore, the organization has treated this plan as if it were a defined-contribution plan in line with the requirements of IPSAS 25. The organization's contributions to the Fund during the financial year are recognized as employee benefit expenses in the statement of financial performance.

Termination benefits

80. Termination benefits are recognized as an expense only when the organization is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate the employment of a staff member before the normal retirement date or provide termination benefits as a result of an offer made in order to encourage voluntary redundancy. Termination benefits to be settled within 12 months are reported at the amount expected to be paid. Where termination benefits fall due more than 12 months after the reporting date, they are discounted if the impact of discounting is material.

Other long-term employee benefits

81. Other long-term employee benefit obligations are benefits, or portions of benefits, that are not due to be settled within 12 months after the end of the year in which employees provide the related service.

82. The liabilities for annual leave represent unused accumulated leave days that are projected to be settled through monetary payment to employees upon their separation from the organization. The United Nations recognizes as a liability the actuarial value of the total accumulated unused leave days of all staff members, up to a maximum of 60 days (18 days for temporary staff), as at the date of the statement of financial position. The methodology applies a last-in, first-out assumption in the determination of the annual leave liabilities whereby staff members access current

period leave entitlements before they access accumulated annual leave balances relating to prior periods. In effect, the accumulated annual leave benefit is accessed more than 12 months after the end of the reporting period in which the benefit arose, and there is an increase in the level of accumulated annual leave days overall, leading to the commutation of accumulated annual leave as a cash settlement at end of service. The accumulated annual leave benefit reflecting the outflow of economic resources from the organization at end of service is therefore classified as another long-term benefit; noting that the portion of the accumulated annual leave benefit that is expected to be settled through monetary payment within 12 months after the reporting date is classified as a current liability. In line with IPSAS 25: Employee benefits, other long-term benefits must be valued similarly as post-employment benefits, therefore, the United Nations values its accumulated annual leave benefit liability as a defined post-employment benefit that is actuarially valued.

Provisions

83. Provisions are liabilities recognized for future expenditure of uncertain amount or timing. A provision is recognized if, as a result of a past event, the organization has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. The provision is measured as the best estimate of the amount required to settle the present obligation as at the reporting date. Where the effect of the time value of money is material, the provision is the present value of the amount expected to be required to settle the obligation. Provisions are not recognized for future operating losses.

Contingent liabilities

84. Contingent liabilities represent possible obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the organization; or present obligations that arise from past events but that are not recognized because it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligations; or the amount of the obligations cannot be reliably measured. Provisions and contingent liabilities are assessed continually to determine whether an outflow of resources embodying economic benefits or service potential has become more or less probable. If it becomes more probable that such an outflow will be required, a provision is recognized in the financial statements of the year in which the change of probability occurs. Similarly, where it becomes less probable that such an outflow will be required, a contingent liability is disclosed in the notes to the financial statements.

Contingent assets

85. Contingent assets represent possible assets that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the organization.

Commitments

86. Commitments are future expenses to be incurred by the organization on contracts entered into by the reporting date and that the organization has minimal, if any, discretion to avoid in the ordinary course of operations. Commitments include capital commitments (amount of contracts for capital expenses that are not paid or accrued by the reporting date), contracts for the supply of goods and services that will be delivered to the organization in future periods, non-cancellable minimum lease payments and other non-cancellable commitments.

Non-exchange revenue: assessed contributions

87. Assessed contributions for the organization comprise the UN-Habitat regular budget allocation. Assessed contributions are assessed and approved for a budget period of one or more years. A one-year proportion of the assessed contributions are recognized as revenue at the beginning of that year. Assessed contributions include the amounts assessed to the Member States to finance the activities of the organization in accordance with the agreed scale of assessments. Revenue from assessed contributions from Member States is presented in the statement of financial performance.

Non-exchange revenue: voluntary contributions

88. Voluntary contributions and other transfers, which are supported by legally enforceable agreements, are recognized as revenue at the time the agreement becomes binding, which is the point when the organization is deemed to acquire control of the asset. However, where cash is received subject to specific conditions or when contributions are explicitly given for a specific operation to commence in a future financial year, recognition is deferred until those conditions have been satisfied.

89. Voluntary pledges and other promised donations that are not supported by binding agreements with the terms of offer and acceptance are recognized as revenue upon receipt of cash. Pledges and promised donations, as well as agreements not yet formalized by acceptance, are disclosed as contingent assets. Unused funds returned to the donor are netted against revenue.

90. Revenue received under inter-organizational arrangements represents allocations of funding from agencies to enable the organization to administer projects or other programmes on their behalf.

91. A direct cost recovery is charged to trust fund and other "extrabudgetary" activities (largely projects) to ensure that the additional costs of supporting activities financed from extrabudgetary contributions is not borne by assessed funds and/or other core resources that are central to the budget process at the United Nations Secretariat. The direct cost recovery is eliminated for the purposes of the preparation of financial statements, as disclosed in note 5 on segment reporting. The direct cost-recovery charge agreed with the donor as part of the budget of a project is included as part of voluntary contributions. It is expressed as a percentage of direct costs (actual expenditure and unliquidated obligations).

92. In-kind contributions of goods above the recognition threshold of $5,000 are recognized as assets and revenue once it is probable that future economic benefits or

service potential will flow to the organization and the fair value of those assets can be measured reliably. Contributions in kind are initially measured at their fair value as at the date of receipt determined by reference to observable market values or by independent appraisals. The organization has elected not to recognize in-kind contributions of services but to disclose in-kind contributions of services above a threshold of $5,000 in the notes to the financial statements.

Exchange revenue

93. Exchange transactions are those in which the organization sells goods or services. Revenue comprises the fair value of consideration received or receivable for the sale of goods and services. Revenue is recognized when it can be reliably measured, when the inflow of future economic benefits is probable and when specific criteria have been met:

(a) Revenue from sales of publications, books and stamps by the United Nations Gift Centre is recognized when the sale occurs and risks and rewards have been transferred;

(b) Revenue from commissions and fees for technical, procurement, training, administrative and other services rendered to governments, United Nations entities and other partners is recognized when the service is performed;

(c) Revenue from jointly financed activities represents amounts charged to other United Nations organizations for their share of joint costs paid for by the United Nations;

(d) Exchange revenue also includes income from the rental of premises, the sale of used or surplus property, services to visitors from guided tours and income from net gains resulting from currency exchange adjustments.

Investment revenue

94. Investment revenue includes interest income and the organization's net share of cash pool investment income and transaction costs associated with the operation of investments.

95. The net cash pool revenue includes any gains and losses on the sale of investments, which are calculated as the difference between the sales proceeds and book value. Transaction costs that are directly attributable to the investment activities are netted against revenue and the net revenue is distributed proportionately to all cash pool participants on the basis of their average daily balances. The cash pool revenue also includes unrealized market gains and losses on securities, which are distributed proportionately to all participants on the basis of year-end balances.

Expenses

96. Expenses are decreases in economic benefits or service potential during the reporting year in the form of outflows or consumption of assets or incurrence of liabilities that result in decreases in net assets, and are recognized on an accrual basis when goods are delivered and services are rendered regardless of the terms of payment.

97. Employee salaries include international, national and general temporary staff salaries, post adjustments and staff assessments. The allowances and benefits include other staff entitlements, including pension and insurance, staff assignment, repatriation, hardship and other allowances. Non-employee compensation and allowances consist of United Nations Volunteers living allowances and post-employment benefits, consultant and contractor fees, ad hoc experts, International Court of Justice judges' allowances and non-military personnel compensation and allowances.

98. Other operating expenses include acquisition of goods and intangible assets not capitalized, maintenance, utilities, contracted services, training, security services, shared services, rent, insurance and allowance for doubtful accounts. Other expenses relate to in-kind contributions, hospitality and official functions, foreign exchange losses and donations or transfers of assets.

99. Grants and other transfers include outright grants and transfers to implementing agencies, partners and other entities as well as quick-impact projects. Supplies and consumables relate to the cost of inventory used and expenses for supplies.

100. Programme activities, distinct from commercial or other arrangements where the United Nations expects to receive equal value for funds transferred, are implemented by executing entities/implementing partners to service a target population which typically includes governments, non-governmental organizations and United Nations agencies. Transfers to implementing partners are initially recorded as advances, and balances that are not expensed during the year remain outstanding at the end of the year and are reported in the statement of financial position. These executing entities/implementing partners provide the organization with certified expense reports documenting their use of resources, which are the basis for recording expenses in the statement of financial performance. In instances where the partner has not provided financial reports as expected, programme managers make an informed assessment as to whether an accrual or an impairment should be recorded against the advance and submit the accounting adjustment. Where a transfer of funds is deemed to be an outright grant, an expense is recognized at the point that the organization has a binding obligation to pay, which is generally upon disbursement. Binding agreements to fund executing entities/implementing partners not paid out by the end of the reporting period are shown as commitments in the notes to the financial statements.

Multi-partner trust funds

101. Multi-partner trust fund activities are pooled resources from multiple financial partners that are allocated to multiple implementing entities to support specific national, regional or global development priorities. They are assessed to determine the existence of control and whether the organization is considered to be the principal of the programme or activity. Where control exists and the organization is exposed to the risks and rewards associated with the multi-partner trust fund activities, such programmes or activities are considered to be the organization's operations and are therefore reported in full in the financial statements.

Note 4
First implementation of International Public Sector Accounting Standards: opening balances

102. On 1 January 2014, the organization adopted IPSAS accrual-based financial accounting standards; the conversion to full accrual accounting resulted in significant changes to accounting policies and in the type and measurement of assets, liabilities, revenue and expenses recognized.

103. Accordingly, adjustments and reclassifications were made to the organization's United Nations system accounting standards balance sheet as at 31 December 2013 to arrive at the restated 1 January 2014 IPSAS opening statement of financial position.

104. The net effect of the changes resulting from the adoption of IPSAS adjustments amounted to a $159.8 million increase in net assets.

Note 5
Segment reporting

105. A segment is a distinguishable activity or group of activities for which financial information is reported separately in order to evaluate an entity's past performance in achieving its objectives and for making decisions about the future allocation of resources.

106. Segment reporting information is provided on the basis of six segments:

(a) Foundation non-earmarked;

(b) Regular budget;

(c) Foundation Special Purpose;

(d) Technical cooperation;

(e) Programme support;

(f) End-of-service and post-retirement benefits.

107. The IPSAS policy framework 23.4.2 states that, during the transitional phase before the full deployment of the Umoja enterprise resource planning system, only the statement of financial performance elements will be considered for disclosure. However, the organization has decided to publish both the statement of financial position and the statement of financial performance, as shown below.

All funds, statement of financial position as at 31 December 2015 by segment

(Thousands of United States dollars)

	Foundation non-earmarked	Regular budget	Foundation Special Purpose	Technical cooperation	Programme support	End-of-service and post-retirement benefits	Intersegment eliminations	2015 total	2014 total
Assets									
Current assets									
Cash and cash equivalents	5 582	–	10 250	17 740	2 228	1 035	–	36 835	46 738
Investments	3 489	–	31 563	54 543	6 872	3 192	–	99 659	76 194
Voluntary contributions receivable	279	–	44 909	114 346	–	–	–	159 534	185 274
Other accounts receivable	14	–	13	1	26	–	–	54	5
Loans receivable	–	–	693	1 129	–	–	(1 329)	493	109
Advances or prepayments	458	–	2 653	6 901	101	–	–	10 113	1 275
Advance transfers	141	–	9 106	21 844	(18)	–	–	31 073	36 752
Other assets	–	–	–	–	–	–	–	–	22 854
Total current assets	**9 963**	–	**99 187**	**216 504**	**9 209**	**4 227**	**(1 329)**	337 761	369 201
Non-current assets									
Investments	1 222	–	21 178	36 597	4 611	2 142	–	65 750	62 371
Voluntary contributions receivable			229	233		–	–	462	–
Loans receivable	–	–	387				–	387	1 509
Property, plant and equipment	50	–	202	11 994			–	12 246	2 115
Intangibles	–	–	–	28			–	28	–
Total non-current assets	**1 272**	–	**21 996**	**48 852**	**4 611**	**2 142**	–	78 873	65 995
Total assets	**11 235**	–	**121 183**	**265 356**	**13 820**	**6 369**	**(1 329)**	416 634	435 196

All funds, statement of financial position as at 31 December 2015 by segment (continued)

(Thousands of United States dollars)

	Foundation non-earmarked	*Regular budget*	*Foundation Special Purpose*	*Technical cooperation*	*Programme support*	*End-of-service and post-retirement benefits*	*Intersegment eliminations*	*2015 total*	*2014 total*
Liabilities									
Current liabilities									
Accounts payable	471	–	6 200	13 891	43	–	–	20 605	19 514
Advance receipts	213	–	2 791	41 737	–	–	–	44 741	231
Employee benefits liabilities	128	–	280	145	128	2 497	–	3 178	2 178
Loans payable	–	–	200	1 129	–	–	(1 329)	–	–
Other liabilities	269	–	85	2 042	–	–	–	2 396	56 367
Total current liabilities	**1 081**	–	**9 556**	**58 944**	**171**	**2 497**	**(1 329)**	70 920	78 290
Non-current liabilities									
Employee benefits liabilities	–	–	–	–	–	35 355	–	35 355	33 679
Total non-current liabilities	–	–	–	–	–	**35 355**	–	35 355	33 679
Total liabilities	**1 081**	–	**9 556**	**58 944**	**171**	**37 852**	**(1 329)**	106 275	111 969
Net assets									
Accumulated surpluses (deficits), unrestricted	5 592	–	107 604	195 052	10 717	(31 483)	–	287 482	298 292
Accumulated surplus, restricted	–	–	–	–	–	–	–	–	–
Reserves	4 562	–	4 023	11 360	2 932	–	–	22 877	24 935
Total net assets	**10 154**	–	**111 627**	**206 412**	**13 649**	**(31 483)**	–	**310 359**	**323 227**
Total liabilities and net assets	**11 235**	–	**121 183**	**265 356**	**13 820**	**6 369**	**(1 329)**	**416 634**	**435 196**

All funds, statement of financial performance for the period ended 31 December 2015 by segment

(Thousands of United States dollars)

	Foundation non-earmarked	*Regular budget*	*Foundation Special Purpose*	*Technical cooperation*	*Programme support*	*End-of-service and post-retirement benefits*	*Intersegment eliminations*	*2015 total*	*2014 total*
Revenue									
Assessed contributions	–	16 935	–	–	–	–	–	16 935	12 489
Voluntary contributions	1 995	–	27 706	102 423	–	–	–	132 124	160 138
Inter-organizational arrangements	–	–	3 275	12 636	–	–	–	15 911	23 016
Cost recovery[a]	2 803	–	–	–	644	–	(2 447)	1 000	–
Other transfers and allocations	337	–	(1 561)	1 869	(635)	–	(10)	–	8 122
Investment revenue	172	–	167	526	35	15	–	915	1 090
Other	–	–	40	34	11 297	–	(11 296)	75	585
Total revenue	**5 307**	**16 935**	**29 627**	**117 488**	**11 341**	**15**	**(13 753)**	**166 960**	**205 440**
Expenses									
Employee salaries, allowances and benefits	8 829	13 894	9 486	11 180	6 659	2 725	–	52 773	51 528
Non-employee compensation and allowances	654	722	8 928	22 714	522	–	–	33 540	29 539
Grants and other transfers	18	226	11 986	28 535	101	–	–	40 866	45 369
Supplies and consumables	13	55	300	1 377	6	–	–	1 751	3 706
Depreciation and amortization	8	–	38	642	–	–	–	688	714
Travel	831	667	4 010	4 400	–	–	(10)	9 898	7 670
Other operating expenses	257	1 357	9 170	23 057	3 149	–	(13 743)	23 247	52 754
Other expenses	1 041	14	1 586	1 559	99	–	–	4 299	2 721
Total expenses	**11 651**	**16 935**	**45 504**	**93 464**	**10 536**	**2 725**	**(13 753)**	**167 062**	**194 021**
Surplus/(deficit) for the period	**(6 344)**	**–**	**(15 877)**	**24 024**	**805**	**(2 710)**	**–**	**(102)**	**11 419**

[a] Of the $2.8 million cost-recovery revenue shown under foundation non-earmarked, $1.0 million is received from the Volume I fund for cost recovery, and the balance of $1.8 million is mobilized largely from extrabudgetary UN-Habitat funds and has been fully eliminated in the statement of financial performance.

Note 6
Comparison to budget

108. The organization prepares budgets on a modified accrual basis as opposed to the IPSAS full accrual basis as presented in the statement of financial performance, which reflects expenses by nature. The statement of comparison of budget and actual amounts (statement V) presents the difference between budget amounts and actual expenditure on a comparable basis.

109. Approved budgets are those that permit expenses to be incurred and are approved by the Governing Council. For IPSAS reporting purposes, approved budgets are the appropriations authorized for each category through Governing Council resolutions.

110. The original budget amounts are the 2014 proportions of the appropriations approved by the Governing Council for the biennium 2014-2015 on 19 April 2013. The final budget reflects the original budget appropriation with any amendments by the Executive Director. Differences between original and final budget amounts are considered in the table below.

111. Material differences between the final budget appropriation and actual expenditure on modified accrual basis are deemed to be those greater than 10 per cent.

Differences between original and final budget amounts

Budget area	*Material differences greater than 10 per cent*
Urban legislation, land and governance	Expenditure 15 per cent more than final appropriation
Urban planning and design	Expenditure 20 per cent more than final appropriation
Urban economy	Expenditure 49 per cent less than final appropriation
Urban basic services	Expenditure 2 per cent more than final appropriation
Housing and slum upgrading	Expenditure 63 per cent less than final appropriation
Risk reduction and rehabilitation	Expenditure 6 per cent less than final appropriation
Research and capacity development	Expenditure 97 per cent more than final appropriation
Executive direction	Expenditure 11 per cent less than final appropriation
Programme support	Expenditure 1 per cent more than final appropriation
Foundation Special Purpose	Expenditure 17 per cent less than final appropriation
Sections 15 and 23	Expenditure 15 per cent more than final appropriation
Development account	Expenditure 14 per cent less than final appropriation
Habitat III	Expenditure 11 per cent less than final appropriation
Technical cooperation	Expenditure 9 per cent less than final appropriation

112. Generally, expenditures in 2015 were expected to be lower than planned owing to the changeover of enterprise resource planning systems from the Integrated Management Information System (IMIS) to Umoja, which included two blackout periods totalling about six weeks and on-the-job training on the new system.

113. Foundation General Purpose:

(a) Actual expenditure for urban legislation, land and governance is higher owing to a change in presentation of cost-recovery amounts, which are reported as revenue instead of netting off from expenditure;

(b) Actual expenditure for urban planning and design is higher owing to a change in presentation of cost-recovery amounts, which are reported as revenue instead of netting off from expenditure;

(c) Actual expenditure for urban economy is lower owing to staff who separated, including on voluntary early retirement, and were not replaced during the year;

(d) Actual expenditure for housing and slum upgrading is lower owing to a staff member who separated. Owing to low Foundation General Purpose funding, two branches are headed by one manager, thereby creating savings in this branch;

(e) Actual expenditure for research and capacity development is higher owing to additional normative work done on the Sustainable Development Goals and preparation for the United Nations Conference on Housing and Sustainable Urban Development (Habitat III).

114. Executive direction: actual expenditure for executive direction is lower owing to attempts to economize in consideration of the drop in Foundation General Purpose funding.

115. Foundation Special Purpose: actual expenditure in Foundation Special Purpose is lower owing to a slowdown in project implementation due to the changeover from IMIS to Umoja.

116. Regular budget:

(a) Actual expenditure in regular budget sections 15 and 23 is higher than the annual allotment owing to the standard cost used for budgeting being lower than the actual cost;

(b) Actual expenditure in the regular budget development account is lower than the annual allotment owing to the changeover to the new enterprise resource planning system;

(c) Actual expenditure for regular budget with regard to Habitat III is lower than the final annual allotment owing to the time taken to fill vacant positions.

Reconciliation between actual amounts on a comparable basis and the statement of cash flows

117. A reconciliation between the actual amounts on a comparable basis in the statement of comparison of budget and actual amounts and the actual amounts in the statement of cash flows is shown in the table below.

Reconciliation of actual amounts on a comparable basis to statement of cash flows

(Thousands of United States dollars)

	Operating	*Investing*	*Financing*	*Total*
Actual amounts on comparable basis (statement V)	**252 041**	–	–	**252 041**
Basis differences[a]	(89 732)	(10 657)	–	(100 389)
Entity differences[b]	2 710	–	–	2 710
Timing differences[c]	–	–	–	–
Presentation differences[d]	(125 013)	(25 931)	(13 321)	(164 265)
Actual amount in statement of cash flows (statement IV)	**40 006**	**(36 588)**	**(13 321)**	**(9 903)**

[a] Basis differences capture the differences resulting from preparing the budget on a modified cash basis. In order to reconcile the budgetary results to the statement of cash flows, the non-cash elements such as unliquidated obligations, payments against prior year obligations, property, plant and equipment, and outstanding assessed contributions are included as basis differences.

[b] Entity differences represent cash flows of fund groups other than the organization that are reported in the financial statements. The financial statements include results for all fund groups.

[c] Timing differences occur when the budget period differs from the reporting period reflected in the financial statements. For the purposes of comparison of budget and actual amounts, there are no timing differences for the organization.

[d] Presentation differences are differences in the format and classification schemes in the statement of cash flows and the statement of comparison of budget and actual amounts, which is primarily related to the latter not recording income and the net changes in cash pool balances.

Note 7
Cash and cash equivalents

(Thousands of United States dollars)

	Foundation non-earmarked	*Technical cooperation*	*Others*	*Total as at 31 December 2015*	*Total as at 31 December 2014*
Cash pools (notes 25, 26)	5 568	17 687	13 498	36 753	39 225
Other cash and cash equivalents	14	53	15	82	7 513
Total	**5 582**	**17 740**	**13 513**	**36 835**	**46 738**

118. Cash and cash equivalents include trust fund monies which are for the specific purposes of the respective trust funds.

Note 8
Investments

(Thousands of United States dollars)

	Foundation non-earmarked	Technical cooperation	Others	Total as at 31 December 2015	Total as at 31 December 2014
Current					
Cash pools (notes 25, 26)	3 490	54 543	41 626	99 659	76 194
Non-current					
Cash pools (notes 25, 26)	1 222	36 597	27 931	65 750	62 371
Total	**4 712**	**91 140**	**69 557**	**165 409**	**138 565**

119. Investments include amounts in relation to trust funds.

Note 9
Receivables from non-exchange transactions: voluntary contributions

(Thousands of United States dollars)

	Current	Non-current	Total as at 31 December 2015	Total as at 31 December 2014
Voluntary contributions	162 827	462	163 289	185 274
Allowance for doubtful receivables	(3 293)	–	(3 293)	–
Total voluntary contributions receivable	**159 534**	**462**	**159 996**	**185 274**

Note 10
Receivables from exchange transactions: other accounts receivable

(Thousands of United States dollars)

	Total as at 31 December 2015	Total as at 31 December 2014
Other exchange receivables	59	5
Allowance for doubtful receivables	(5)	–
Total other receivables	**54**	**5**

Note 11
Receivables from loans

(Thousands of United States dollars)

	Current	Non-current	Total as at 31 December 2015	Total as at 31 December 2014
Receivables from loans	1 093	387	1 480	1 618
Allowance for doubtful loans	(600)	–	(600)	–
Total	**493**	**387**	**880**	**1 618**

Note 12
Advance transfers

(Thousands of United States dollars)

	Total as at 31 December 2015	*Total as at 31 December 2014*
Advances to implementing partners	26 571	22 016
United Nations Development Programme clearing accounts	4 502	14 736
Total advance transfers	**31 073**	**36 752**

Note 13
Other assets

(Thousands of United States dollars)

	Total as at 31 December 2015	*Total as at 31 December 2014*
Deferred charges	27	25
Advances to vendors	126	37
Advances to staff	1 401	1 131
Interfund balances		22 855
Other	8 559	81
Total other assets	**10 113**	**24 129**

Note 14
Heritage assets

120. Certain assets are categorized as heritage assets because of their cultu al, educational or historical significance. The organization's heritage assets were acquired over many years by various means, including purchase, donation and bequest. These heritage assets do not generate any future economic benefits or service potential; accordingly, the organization elected not to recognize heritage assets on the statement of financial position.

121. As at the reporting date, the organization did not have significant heritage assets to report.

Note 15
Property, plant and equipment

122. In accordance with IPSAS 17: Property, plant and equipment, opening balances of property, plant and equipment are initially recognized at cost or fair value as at 1 January 2014 and measured at cost thereafter. The opening balance for buildings was obtained on 1 January 2014 based on depreciated replacement cost and was validated by external professionals. Machinery and equipment are valued using the cost method.

123. During the year, the organization did not write down property, plant and equipment owing to accidents, malfunctions and other losses. As at the reporting date, the organization did not identify any additional impairment. Assets under construction represent projects of a capital nature begun by the organization on behalf of end user communities that have not yet been finalized and handed over as at 31 December 2015.

Property, plant and equipment

(Thousands of United States dollars)

	Communications and information technology equipment	*Vehicles*	*Machinery and equipment*	*Furniture and fixtures*	*Buildings*	*Assets under construction*[b]	*Total*
Balance, 1 January 2015							
Historical cost/fair value	448	5 963	470	121	82	–	7 084
Accumulated depreciation and impairment	(264)	(4 312)	(244)	(89)	(60)	–	(4 969)
Opening carrying amount	**184**	**1 651**	**226**	**32**	**22**	**–**	**2 115**
Movements for the year							
Additions							
Donations		203					203
Purchased	320	571		23		9 711	10 625
Disposals							
Donated		(113)					(113)
Sold		(15)					(15)
Depreciation on disposals		115					115
Movement within classes[a]							
Historical cost/fair value	9	–	–	(9)	–	–	–
Accumulated depreciation and impairment	(2)	–	–	2	–	–	–
Impairment	–	–	–	–	–	–	–
Depreciation	**(115)**	**(499)**	**(47)**	**(11)**	**(12)**	**–**	**(684)**
Total movements for the year	**212**	**262**	**(47)**	**5**	**(12)**	**9 711**	**10 131**
Balance, 31 December 2015							
Historical cost/fair value	777	6 609	470	135	82	9 711	17 784
Accumulated depreciation and impairment	(381)	(4 696)	(291)	(98)	(72)	–	(5 538)
Closing carrying amount	**396**	**1 913**	**179**	**37**	**10**	**9 711**	**12 246**

[a] Asset transferred from the furniture and fixtures asset class to the communications and information technology equipment asset class to accurately reflect its nature.

[b] Assets under construction is meant for distribution to project beneficiaries upon completion.

Note 16
Intangible assets

124. All intangible assets acquired before 1 January 2014, except for the capitalized costs associated with the Umoja project, are subject to IPSAS transition exemption and are therefore not recognized.

Intangible assets

(Thousands of United States dollars)

	Software acquired externally	*Total*
Balance as at 1 January 2015		
Historical cost/fair value	–	–
Accumulated amortization and impairment	–	–
Opening carrying amount	–	–
Movements for the year		
Additions		
Donations	–	–
Purchased	32	32
Disposals		
Donated	–	–
Sold	–	–
Disposals amortization	–	–
Impairment	–	–
Amortization	(4)	(4)
Total movements for the year	**28**	**28**
Balances as at 31 December 2015		
Historical cost/fair value	32	32
Accumulated amortization and impairment	(4)	(4)
Closing carrying amount	**28**	**28**

Note 17
Accounts payable and accrued payables

(Thousands of United States dollars)

	Total as at 31 December 2015	*Total as at 31 December 2014*
Vendor payables	7 105	3 224
Accruals for goods and services	13 500	16 290
Total accounts payable	**20 605**	**19 514**

Note 18
Employee benefits liabilities

(Thousands of United States dollars)

	Current	*Non-current*	*Total as at 31 December 2015*	*Total as at 31 December 2014*
After-service health insurance	363	24 863	25 226	24 750
Repatriation benefits	1 585	5 744	7 329	4 814
Annual leave	549	4 748	5 297	5 389
Subtotal, defined-benefit liabilities	**2 497**	**35 355**	**37 852**	**34 953**
Accrued salaries and allowances	681	–	681	904
Total employee benefits liabilities	**3 178**	**35 355**	**38 533**	**35 857**

125. The liabilities arising from end-of-service/post-employment benefits and the workers' compensation programme under Appendix D to the Staff Rules are determined by independent actuaries and are established in accordance with the Staff Rules and Staff Regulations of the United Nations. Actuarial valuation is usually undertaken every two years. The most recent full actuarial valuation was conducted as at 31 December 2015.

Actuarial valuation assumptions

126. The organization reviews and selects assumptions and methods used by the actuaries in the year-end valuation to determine the expense and contribution requirements for the employee benefits. The principal actuarial assumptions used to determine the employee benefit obligations as at 31 December 2015 and 31 December 2014 are shown in the table below.

Actuarial assumptions

(Percentage)

Assumptions	*After-service health insurance*	*Repatriation benefits*	*Annual leave*	*Appendix D workers' compensation*[a]
Discount rates, 31 December 2014	3.29	3.36	3.52	
Discount rates, 31 December 2015	3.49	3.67	3.73	
Inflation, 31 December 2014	5.00-6.80	2.25	–	2.50
Inflation, 31 December 2015	5.00-6.80	2.25	–	2.25

[a] For the Appendix D/workers' compensation valuation, the actuaries applied the year-end Citigroup Pension Discount Curve discount rate applicable to the year in which the cash flows take place.

127. Discount rates are based on a weighted blend of three discount rate assumptions based on the currency denomination of the different cash flows: United States dollars (Citigroup Pension Discount Curve), euros (euro area government yield curve) and Swiss francs (Federation bonds yield curve). The slightly higher

discount rates were assumed for the 31 December 2015 valuation with slight variation in the inflation rates from 31 December 2014.

128. The per capita claim costs for the after-service health insurance plans are updated to reflect recent claims and enrolment experience. The health-care cost trend rate assumption is revised to reflect the current short-term expectations of the after-service health insurance plan cost increases and economic environment. Medical cost trend assumptions used for the valuation as at 31 December 2015 were updated to include escalation rates for future years. As at 31 December 2015, these escalation rates were a flat health-care yearly escalation rate of 4.0 per cent (2014: 5.0 per cent) for non-United States medical plans and health-care escalation rates of 6.4 per cent (2014: 6.8 per cent) for all other medical plans (except 5.9 per cent (2014: 6.1 per cent) for the United States Medicare plan and 4.9 per cent (2014: 5.0 per cent) for the United States dental plan), grading down to 4.5 per cent (2014: 4.5 per cent) over nine years.

129. With regard to the valuation of repatriation benefits as at 31 December 2015, inflation in travel costs was assumed to be 2.25 per cent (2014: 2.25 per cent), on the basis of the projected United States inflation rate over the next 10 years.

130. Annual leave balances were assumed to increase at the following annual rates during the staff member's projected years of service: 1-3 years, 10.9 days; 4-8 years, 1 day; more than 8 years, 0.5 days up to the maximum of 60 days. The assumption is consistent with the 2014 valuation. The attribution method used for annual leave actuarial valuation since 2014 is in compliance with IPSAS.

131. For defined-benefit plans, assumptions regarding future mortality are based on published statistics and mortality tables. Salary increases, retirement, withdrawal and mortality assumptions are consistent with those used by the United Nations Joint Staff Pension Fund in making its actuarial valuation. Appendix D/workers' compensation uses mortality assumptions based on World Health Organization statistical tables.

Movement in employee benefits liabilities accounted for as defined-benefits plans

(Thousands of United States dollars)

	After-service health insurance	*Repatriation benefits*	*Annual leave*	*Total*
Net defined-benefit liability as at 1 January 2015	24 750	4 814	5 389	34 953
Current service cost	1 876	511	329	2 716
Interest cost	994	155	180	1 329
Actual benefits paid	(241)	(598)	(481)	(1 320)
Total costs recognized in the statement of financial performance in 2015	**2 629**	**68**	**28**	**2 725**
Subtotal	**27 379**	**4 882**	**5 417**	**37 678**
Actuarial (gains)/loss	(2 145)	1 710	(120)	(555)
Net defined liability as at 31 December 2015	**25 234**	**6 592**	**5 297**	**37 123**

Discount rate sensitivity analysis

132. The changes in discount rates are driven by the discount curve, which is calculated based on corporate and government bonds. The bonds markets vary during the reporting year and the volatility affects the discount rate assumption. Should the discount rate assumption vary by 1 per cent, its impact on the obligations would be as shown in the table below.

Impact on obligations of changes in discount rate

(Thousands of United States dollars)

	After-service health insurance	*Repatriation benefits*	*Annual leave*
Increase of discount rate by 1 per cent	(4 429)	(557)	(441)
As percentage of end-of-year liability	(18)	(8)	(8)
Decrease of discount rate by 1 per cent	5 821	631	512
As percentage of end-of-year liability	23	10	10

Medical cost sensitivity analysis

133. The principal assumption in the valuation of after-service health insurance is the rate at which medical costs are expected to increase in the future. The sensitivity analysis looks at the change in liability owing to changes in the medical cost rates while holding other principal assumptions constant; the key assumption held constant is the discount rate. Should the medical cost trend assumption vary by 1 per cent, it would affect the measurement of the defined-benefit obligations as shown in the table below.

One per cent movement in the assumed medical cost trend rates

(Thousands of United States dollars)

	Increase	*Decrease*
Effect on defined-benefit obligation	5 946	(4 564)
	16.02 per cent	(12.29 per cent)
Effect on aggregate of the current service cost and interest cost	705	(520)
	1.90 per cent	(1.40 per cent)

Other defined-benefit plan information

134. The General Assembly, in its resolution 67/257, endorsed the decision of the International Civil Service Commission in its report to support the recommendation of the United Nations Joint Staff Pension Fund to raise the mandatory age of retirement to 65 years for new staff effective 1 January 2014. Actuaries determined that this increase in the normal age of retirement would not have a material effect on the valuation of these liabilities.

135. During the financial year, certain activities financed by trust funds have accrued charges to fund employee benefits liabilities related to their extrabudgetary activities. At the year's end, the value of these accrued balances was $6.4 million.

Estimated 2016 defined-benefit payments net of participants' contributions

(Thousands of United States dollars)

	After-service health insurance	*Repatriation benefits*	*Annual leave*	*Total*
Estimated 2016 defined-benefit payments net of participants' contributions	448	710	528	1 686

Historical information, total for after-service health insurance, repatriation benefits and annual leave as at 31 December 2015

(Thousands of United States dollars)

	2014	*2013*	*2012*	*2011*	*2010*
Present value of the defined-benefit obligations	34 953	24 688	25 969	23 407	14 349

Accrued salaries and allowances

136. These include accruals for home leave, overtime, income tax and monthly salaries due but unpaid.

United Nations Joint Staff Pension Fund

137. The Regulations of the United Nations Joint Staff Pension Fund state that the Pension Board shall have an actuarial valuation made of the Pension Fund at least once every three years by the Consulting Actuary. The practice of the Pension Board has been to carry out an actuarial valuation every two years using the open group aggregate method. The primary purpose of the actuarial valuation is to determine whether the current and estimated future assets of the Pension Fund will be sufficient to meet its liabilities.

138. The organization's financial obligation to the Pension Fund consists of its mandated contribution, at the rate established by the General Assembly (currently at 7.90 per cent for participants and 15.80 per cent for member organizations) together with any share of any actuarial deficiency payments under article 26 of the Regulations of the Pension Fund. Such deficiency payments are only payable if and when the Assembly has invoked the provision of article 26, following determination that there is a requirement for deficiency payments based on an assessment of the actuarial sufficiency of the Pension Fund as at the valuation date. Each member organization shall contribute to this deficiency an amount proportionate to the total contributions which each paid during the three years preceding the valuation date.

139. The actuarial valuation performed as at 31 December 2013 revealed an actuarial deficit of 0.72 per cent (1.87 per cent in the 2011 valuation) of pensionable remuneration, implying that the theoretical contribution rate required to achieve balance as at 31 December 2013 was 24.42 per cent of pensionable remuneration, compared to the actual contribution rate of 23.70 per cent. The next actuarial valuation will be conducted as at 31 December 2015. However, the results of the valuation were not available as at the reporting date.

140. As at 31 December 2013, the funded ratio of actuarial assets to actuarial liabilities, assuming no future pension adjustments, was 127.50 per cent (130.00 per cent in the 2011 valuation). The funded ratio was 91.20 per cent (86.20 per cent in the 2011 valuation) when the current system of pension adjustments was taken into account. After assessing the actuarial sufficiency of the Pension Fund, the Consulting Actuary concluded that there was no requirement, as at 31 December 2013, for deficiency payments under article 26 of the Regulations of the Pension Fund, as the actuarial value of assets exceeded the actuarial value of all accrued liabilities under the Pension Fund. In addition, the market value of assets also exceeded the actuarial value of all accrued liabilities as at the valuation date. At the time of the present report, the General Assembly had not invoked the provision of article 26.

141. In December 2012 and April 2013, the General Assembly authorized an increase to age 65 in the normal retirement age and in the mandatory age of separation respectively for new participants of the Pension Fund, with effect not later than from 1 January 2014. The related change to the Pension Fund's Regulations was approved by the Assembly in December 2013. The increase in the normal retirement age is reflected in the actuarial valuation of the Pension Fund as at 31 December 2013. The United Nations Board of Auditors carries out an annual audit of the Pension Fund and reports to the Pension Board on the audit every year. The Pension Fund publishes quarterly reports on its investments and these can be viewed by visiting the Pension Fund at www.unjspf.org. During 2014, the organization's contributions paid to the Pension Fund amounted to $6.6 million.

Reserve fund for compensation payments: Appendix D workers' compensation

142. The fund for compensation payments relates to the payment of compensation with regard to death, injury or illness attributable to the performance of official duties. The rules governing the compensation payments are under Appendix D to the Staff Rules. The fund allows the organization to continue to fulfil its obligation to make compensation payments for death, injury or illness. The fund derives its revenue from a charge of 1.0 per cent of the net base remuneration, including post adjustment for eligible personnel. It covers Appendix D claims submitted by personnel, covering monthly death and disability benefits and lump sum payment for injury or illness as well as medical expenses.

Impact of the General Assembly resolutions on staff benefits

143. On 23 December 2015, the General Assembly adopted resolution 70/244, which approved certain changes to conditions of service and entitlements for all staff serving in the organizations of the United Nations common system, as recommended by the International Civil Service Commission. Some of the changes that have an impact on the calculation of other long-term and end-of-service employee benefits liabilities are as shown in the table below.

Change[a]	*Details*
Increase in mandatory age of separation	The mandatory age of retirement for staff who joined the United Nations on or after 1 January 2014 is 65; for those who joined before 1 January 2014, it is 60 or 62. The General Assembly decided to extend the mandatory age of separation for staff recruited before 1 January 2014 by organizations of the United Nations common system to 65 years by 1 January 2018 at the latest, taking into account the acquired rights of staff. Once implemented, this change is expected to impact future calculations of employee benefits liabilities
Unified salary structure	The current scales for internationally recruited staff (Professional and Field Service staff) are based on single or dependent rates. These rates affect the staff assessment and post adjustment amounts. The General Assembly has approved a unified salary scale that will result in the elimination of single and dependent rates. The dependent rate will be replaced by allowances for staff members who have recognized dependants in accordance with the United Nations Staff Rules. A revised staff assessment scale and pensionable remuneration scale will be implemented along with the unified salary structure. The implementation of the unified salary scale is planned for 1 January 2017 and is not designed to result in reduced payments for staff members However, it is expected that, once implemented, it will affect the calculation and valuation of the repatriation benefit and the commuted annual leave benefit. Currently, the repatriation benefit is calculated based on gross salary and staff assessment as at the date of separation, whereas commuted annual leave is calculated based on gross salary, post adjustment and staff assessment as at the date of separation
Repatriation benefit	Staff members are eligible for the repatriation grant upon separation provided they have been in service for at least one year in a duty station outside of their country of nationality. The General Assembly has since revised staff member eligibility for the repatriation grant from one year of service to five years of service for prospective employees, while current employees retain the one-year eligibility. Once implemented, this change is expected to affect future calculations of employee benefits liabilities

[a] As at the reporting date, the necessary information regarding the implementation of the proposed changes was not available. Therefore, the organization is not able to perform a detailed impact analysis of the proposed changes on employee benefits liabilities for the 2015 financial period. As required by IPSAS 1, Presentation of financial statements, the organization will determine such impact in the course of 2016 when substantial implementation information is likely to be available and, where material, disclose in the financial statements for 2016.

Note 19
Provisions

144. As at the reporting date, the organization had no legal claims that required the recognition of provisions.

Note 20
Other liabilities

(Thousands of United States dollars)

	Total as at 31 December 2015	Total as at 31 December 2014
Contributions or amounts received in advance	224	231
Liabilities for conditional arrangements	44 516	32 442
Interfund balances	–	23 068
Deferred revenue	–	175
Other liabilities	2 397	682
Total other liabilities	**47 137**	**56 598**

Note 21
Net assets

Accumulated surpluses/deficits

145. The unrestricted accumulated surplus includes the accumulated deficit for employee benefits liabilities and the net positions of after-service health insurance, repatriation benefit and annual leave liabilities.

146. The table below shows the status of the organization's net assets balances and movements.

Net assets balances and movements[a]

(Thousands of United States dollars)

	As at 1 January 2015	Surplus/(deficit)	Transfers to/(from) reserves	Other	Total as at 31 December 2015
Unrestricted cumulative surplus					
Foundation non-earmarked	9 878	(6 344)	2 058	–	5 592
Foundation Special Purpose	123 481	(15 877)	–	–	107 604
Technical cooperation	184 350	24 024	–	(13 321)	195 053
Programme support	9 911	805	–	–	10 716
End-of-service liabilities	(29 328)	(2 710)	–	555	(31 483)
Subtotal, unrestricted fund	**298 292**	**(102)**	**2 058**	**(12 766)**	**287 482**
Reserves					
Foundation non-earmarked	6 620	–	(2 058)	–	4 562
Foundation Special Purpose	4 023	–	–	–	4 023
Technical cooperation	11 360	–	–	–	11 360
Programme support	2 932	–	–	–	2 932
End-of-service liabilities	–	–	–	–	–
Subtotal, reserves	**24 935**	**–**	**(2 058)**	**–**	**22 877**

	As at 1 January 2015	Surplus (deficit)	Transfers to (from) reserves	Other	Total as at 31 December 2015
Total net assets					
Foundation non-earmarked	16 498	(6 344)	–	–	10 154
Foundation Special Purpose	127 504	(15 877)	–	–	111 627
Technical cooperation	195 710	24 024	–	(13 321)	206 413
Programme support	12 843	805	–	–	13 648
End-of-service liabilities	(29 328)	(2 710)	–	555	(31 483)
Total reserves and fund balances	**323 227**	**(102)**	**–**	**(12 766)**	**310 359**

[a] Net assets movements including fund balances are based on IPSAS.

Note 22
Revenue from non-exchange transactions

Assessed contributions

147. The organization receives an allocation from the regular budget each biennium, which is included in assessed contributions. These are reported under United Nations Volume I, and are for completeness shown in these financial statements. For the reporting period the organization received $16.9 million.

Voluntary contributions

(Thousands of United States dollars)

	Total as at 31 December 2015	Total as at 31 December 2014
Inter-organizational arrangements	15 911	23 016
Voluntary monetary contributions	132 222	161 449
Voluntary in-kind contributions	1 074	1 227
Subtotal, voluntary contributions	**149 207**	**185 692**
Refunds to donors	(1 172)	(2 538)
Net voluntary contributions	**148 035**	**183 154**

Services in kind

148. In-kind contributions of services received during the year are not recognized as revenue and therefore are not included in the above in-kind contributions revenue. Services in kind confirmed during the year are shown in the table below.

Services in kind

(Thousands of United States dollars)

	Total as at 31 December 2015	*Total as at 31 December 2014*
Technical assistance/expert services	262	346
Administrative support	—	509
Other services in kind	—	8
Total	**262**	**863**

Other transfers and allocations

149. Revenue from non-exchange transactions also includes other transfers and allocations amounting to $1 million.

Note 23
Other revenue

150. Revenue from other revenue is $0.08 million.

Note 24
Expenses

Employee salaries, allowances and benefits

151. Employee salaries include international, national and general temporary staff salaries, post adjustments and staff assessments; allowances and benefits include other staff entitlements, including pension and insurance, staff assignment, repatriation, hardship and other allowances, as set out in the table below.

Employee salaries, allowances and benefits

(Thousands of United States dollars)

	Total as at 31 December 2015	*Total as at 31 December 2014*
Leave benefits	1 058	513
Pension benefits	5 653	6 620
Health insurance benefits	3 283	2 161
Repatriation benefits	1 042	660
Salary, wages and other benefits	41 737	41 574
Total employee salaries, allowances and benefits	**52 773**	**51 528**

Non-employee compensation and allowances

152. Non-employee compensation and allowances of $33.5 million consist of United Nations Volunteers living allowances and post-employment benefits, consultant and contractor fees, ad hoc experts, International Court of Justice judges' allowances and non-military personnel compensation and allowances.

Grants and other transfers

153. Grants and other transfers include outright grants and transfers to implementing agencies, partners and other entities as well as quick-impact projects, as set out in the table below.

Grants and other transfers

(Thousands of United States dollars)

	Total as at 31 December 2015	*Total as at 31 December 2014*
Grants — end beneficiaries	18 659	34 056
Transfers to implementing partners	22 207	11 313
Total grants and other transfers	**40 866**	**45 369**

Other operating expenses

154. Other operating expenses include maintenance, utilities, contracted services, training, security services, shared services, rent, insurance, allowance for bad debt, write-off expenses and expenses related to mine action, human security and the United Nations Democracy Fund, as set out in the table below.

Other operating expenses

(Thousands of United States dollars)

	Total as at 31 December 2015	*Total as at 31 December 2014*
Bad debt expense	3 938	(48)
Bank charges	21	26
Communications and utilities	498	29
Contracted services	7 762	34 277
Contributions in kind	871	1 227
Fellowship grants	1 108	1 129
Maintenance expense	2 674	4 230
Rent, office and premises	2 386	2 420
Rental, other	84	26
Training	658	6 542
Loss on disposal of tangible assets	1	455
Other	3 236	2 441
Total	**23 247**	**52 754**

Other expenses

155. Other expenses of $4.3 million relate to hospitality and official functions, foreign exchange losses and donation/transfer of assets.

Note 25
Financial instruments and financial risk management

Financial instruments

(Thousands of United States dollars)

	Total as at 31 December 2015	*Total as at 31 December 2014*
Financial assets		
Fair value through the surplus or deficit		
Short-term investments, cash pools	99 659	76 194
Short-term investments, other	–	–
Total short-term investments	**99 659**	**76 194**
Long-term investments, cash pools	65 750	62 371
Long-term investments, other	–	–
Total long-term investments	**65 750**	**62 371**
Total fair value through the surplus or deficit	**165 409**	**138 565**
Loans and receivables		
Cash and cash equivalents, cash pools	36 753	39 225
Cash and cash equivalents, other	82	7 513
Voluntary contributions	159 996	185 274
Loans receivable	880	1 618
Other receivables	54	5
Other assets (excludes deferred charges)	–	22 855
Total loans and receivables	**197 765**	**256 490**
Total carrying amount of financial assets	**363 174**	**395 055**
Of which relates to financial assets held in cash pool	202 162	177 790
Financial liabilities		
Accounts payable and accrued payables	23 783	24 129
Other liabilities (excludes deferred revenue)	47 137	56 367
Total carrying amount of financial liabilities	**70 920**	**80 496**
Summary of net income from cash pools		
Investment revenue	1 222	1 127
Financial exchange gains/(losses)	(51)	(952)
Unrealized gains/(losses)	(295)	(54)
Bank fees	–	(4)
Net income from cash pools	**876**	**117**
Other investment revenue	39	973
Total net income from financial instruments	**915**	**1 090**

Financial risk management: overview

156. The organization has exposure to the following financial risks: credit risk, liquidity risk and market risk.

157. This note presents information on the organization's exposure to these risks; the objectives, policies and processes for measuring and managing risk; and the management of capital.

Financial risk management: risk management framework

158. The organization's risk management practices are in accordance with its Financial Regulations and Rules and Investment Management Guidelines (the Guidelines). The organization defines the capital that it manages as the aggregate of its net assets, which comprises accumulated fund balances and reserves. Its objectives are to safeguard its ability to continue as a going concern, to fund its asset base and to accomplish its objectives. The organization manages its capital in the light of global economic conditions, the risk characteristics of the underlying assets and its current and future working capital requirements.

Financial risk management: credit risk

159. Credit risk is the risk of financial loss if the counterparty to a financial instrument fails to meet its contractual obligations. Credit risk arises from cash and cash equivalents, investments and deposits with financial institutions and credit exposures to outstanding receivables. The carrying value of financial assets less allowances for doubtful receivables is the maximum exposure to credit risk.

Credit risk management

160. The investment management function is centralized at United Nations Headquarters, and other areas are not permitted in normal circumstances to engage in investing. An area may receive exceptional approval when conditions warrant investing locally under specified parameters that comply with the Guidelines.

Credit risk: contributions receivable and other receivables

161. A large portion of the contributions receivable is due from sovereign governments and supranational agencies, including other United Nations entities which do not have significant credit risk. As at the reporting date, the organization does not hold any collateral as security for receivables.

Credit risk: allowance for doubtful receivables

162. The organization evaluates the allowance of doubtful receivables at each reporting date. An allowance is established when there is objective evidence that the organization will not collect the full amount due. Balances credited to the allowance for doubtful receivables account are utilized when management approves write-offs under the Financial Regulations and Rules or are reversed when the previously impaired receivables are received. The movement in the allowances account during the year is shown in the table below.

Movement in allowance for doubtful receivables

(Thousands of United States dollars)

As at 1 January 2015	–
Additional allowance for doubtful receivables	3 298
Receivables written off during the period as uncollectable	–
Unused amounts reversed	–
As at 31 December 2015	**3 298**

163. The organization does not have assessed contributions receivable, so there is no ageing of assessed contributions receivable and associated allowance.

164. The ageing of receivables other than assessed contributions including associated allowance percentages is set out in the table below.

Ageing of receivables other than assessed contributions

(Thousands of United States dollars)

	Gross receivable	*Allowance*
Less than one year	150 157	–
One to two years	13 190	3 298
Two to three years	–	–
Over three years	–	–
Total	**163 347**	**3 298**

Credit risk: cash and cash equivalents

165. The organization had cash and cash equivalents of $36.8 million as at 31 December 2015, which is the maximum credit exposure on these assets. Cash and cash equivalents are held with bank and financial institution counterparties rated at "A-" and above, based on the Fitch viability rating.

Financial risk management: liquidity risk

166. Liquidity risk is the risk that the organization might not have adequate funds to meet its obligations as they fall due. The organization's approach to managing liquidity is to ensure that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the organization's reputation.

167. The Financial Regulations and Rules require that expenses be incurred after receipt of funds from donors, thereby considerably reducing the liquidity risk with regard to contributions which are a largely stable annual cash flow. Exceptions to incurring expenses prior to the receipt of funds are only permitted if specified risk management criteria are adhered to with regard to the amounts receivable.

168. The organization performs cash flow forecasting and monitors rolling forecasts of liquidity requirements to ensure it has sufficient cash to meet operational needs.

Investments are made with due consideration to the cash requirements for operating purposes based on cash flow forecasting. The organization maintains a large portion of its investments in cash equivalents and short-term investments sufficient to cover its commitments as and when they fall due.

Liquidity risk: financial liabilities

169. The exposure to liquidity risk is based on the notion that the entity may encounter difficulty in meeting its obligations associated with financial liabilities. This is highly unlikely owing to receivables, cash and investments available to the entity and internal policies and procedures put in place to ensure there are appropriate resources to meet its financial obligations. As at the reporting date, the organization had not pledged any collateral for any liabilities or contingent liabilities and during the year no accounts payable or other liabilities were forgiven by third parties. Maturities for financial liabilities based on the earliest date at which the organization can be required to settle each financial liability are set out in the table below.

Maturities for financial liabilities as at 31 December 2015

(Thousands of United States dollars)

	3 months	*3 to 12 months*	*1 year*	*Total*
Accounts payable and accrued payables	8 698	48 546	–	57 244

Financial risk management: market risk

170. Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and prices of investment securities, will affect the organization's income or the value of its financial assets and liabilities. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the organization's fiscal position.

Market risk: interest rate risk

171. Interest rate risk is the risk of variability in financial instruments' fair values or future cash flows owing to changes in interest rates. In general, as the interest rate rises, the price of a fixed rate security falls, and vice versa. Interest rate risk is commonly measured by the fixed rate security's duration, with duration being a number expressed in years. The larger the duration, the greater the interest rate risk. The main exposure to interest rate risks relates to the cash pools and is considered in note 26, Financial instruments: cash pools.

Market risk: currency risk

172. Currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate owing to changes in foreign exchange rates. The organization has transactions, assets and liabilities in currencies other than in its functional currency and is exposed to currency risk arising from fluctuations in exchange rates. Management policies and the Guidelines require the organization to manage its currency risk exposure.

173. The organization's financial assets and liabilities are primarily denominated in United States dollars. Non-United States dollars financial assets primarily relate to investments in addition to cash and cash equivalents and receivables held in order to support local operating activities where transactions are made in local currencies. The organization maintains a minimum level of assets in local currencies, and whenever possible maintains bank accounts in United States dollars. The organization mitigates currency risk exposure by structuring contributions from donors in foreign currency to correspond to the foreign currency needs for operational purposes.

174. The most significant exposure to currency risk relates to cash-pool cash and cash equivalents. As at the reporting date, the non-United States dollar denominated balances in these financial assets were primarily euros and Swiss francs, along with over 30 other currencies, as shown in the table below.

Currency exposure of the cash pools as at 31 December 2015

(Thousands of United States dollars)

	United States dollars	*Euros*	*Swiss francs*	*Others*	*Total*
Main cash pool	195 516	–	–	–	195 516
Euro cash pool	–	6 646	–	–	6 646
Total	**195 516**	**6 646**	–	–	**202 162**

Currency risk: sensitivity analysis

175. A strengthening/weakening of the euro and Swiss franc United Nations operational rate of exchange as at 31 December would have affected the measurement of investments denominated in a foreign currency and increased/decreased net assets and surplus or deficit by the amounts shown in the table below. This analysis is based on foreign currency exchange rate variances considered to be reasonably possible as at the reporting date. The analysis assumes that all other variables, in particular interest rates, remain constant.

Effect on net assets, surplus or deficit

(Thousands of United States dollars)

	As at 31 December 2015 Effect on net assets/surplus or deficit		*As at 31 December 2014 Effect on net assets/surplus or deficit*	
	Strengthening	*Weakening*	*Strengthening*	*Weakening*
Euro (10 per cent movement)	1 532	(1 532)	1 239	(1 239)
Swiss franc (10 per cent movement)	10 677	(10 677)	11 656	(11 656)

Other market risk

176. The organization is not exposed to significant other price risk, as it has limited exposure to price-related risk related to expected purchases of certain commodities used regularly in operations. A change in those prices may alter cash flows by an immaterial amount.

Accounting classifications and fair value

177. Owing to the short-term nature of cash and cash equivalents, including cash pool term deposits with original maturities of less than three months, receivables and payables, carrying value is a fair approximation of fair value.

Fair value hierarchy

178. The table below analyses financial instruments carried at fair value by the fair value hierarchy levels. The levels are defined as:

(a) Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;

(b) Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e., prices) or indirectly (i.e., derived from prices);

(c) Level 3: Inputs for the asset or liability that are not based on observable market data (i.e., unobservable inputs).

179. The fair value of financial instruments traded in active markets is based on quoted market prices as at the reporting date and is determined by the independent custodian based on the valuation of securities sourced from third parties. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the cash pools is the current bid price.

180. The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available. If all significant inputs required to determine the fair value of an instrument are observable, the instrument is included in level 2.

181. There were no level 3 financial assets nor any liabilities carried at fair value or any significant transfers of financial assets between fair value hierarchy classifications.

Fair value hierarchy

(Thousands of United States dollars)

	31 December 2015		
	Level 1	*Level 2*	*Total*
Financial assets at fair value through surplus or deficit			
Bonds — corporate	3 760	–	3 760
Bonds — non-United States agencies	55 033	–	55 033
Bonds — non-United States sovereigns	3 130	–	3 130
Bonds — supranational	3 512	–	3 512
Bonds — United States treasuries	27 432	–	27 432
Main pool — commercial papers	23 840	–	23 840
Main pool — term deposits	–	46 720	46 720
Main pool total	**116 707**	**46 720**	**163 427**
Euro pool — bonds: non-United States sovereigns	–	–	–
Euro pool — term deposits	–	1 668	1 668
Euro pool total	**–**	**1 668**	**1 668**
Total cash pools	**116 707**	**48 388**	**165 095**

Note 26
Financial instruments: cash pools

182. In addition to directly held cash and cash equivalents and investments, the organization participates in the United Nations Treasury cash pools. Pooling the funds has a positive effect on overall investment performance and risk, because of economies of scale and the ability to spread yield curve exposures across a range of maturities. The allocation of cash pool assets (cash and cash equivalents and short- and long-term investments) and revenue is based on each participating entity's principal balance.

183. The organization participates in two United Nations Treasury-managed cash pools:

(a) The main cash pool, which comprises operational bank account balances in a number of currencies and investments in United States dollars;

(b) The euro cash pool, which comprises investments in euro currency; the pool participants are mostly offices of the Secretariat away from Headquarters who may have a surplus of euros from their operations.

184. As at 31 December 2015, the cash pools held total assets of $7,827.4 million, of which $202.2 million was due to the organization and the organization's share of the revenue was $0.9 million.

Summary of assets and liabilities of the cash pools as at 31 December 2015

(Thousands of United States dollars)

	Main pool	*Euro pool*	*Total*
Fair value through the surplus or deficit			
Short-term investments	3 888 712	10 941	3 899 653
Long-term investments	2 617 626	–	2 617 626
Total fair value through the surplus or deficit investments	**6 506 338**	**10 941**	**6 517 279**
Loans and receivables			
Cash and cash equivalents	1 265 068	32 637	1 297 705
Accrued investment revenue	12 462	3	12 465
Total loans and receivables	**1 277 530**	**32 640**	**1 310 170**
Total carrying amount of financial assets	**7 783 868**	**43 581**	**7 827 449**
Cash pool liabilities			
Payable to UN-Habitat	195 516	6 646	202 162
Payable to other cash pool participants	7 588 352	36 935	7 625 287
Total liabilities	**7 783 868**	**43 581**	**7 827 449**
Net assets	–	–	–

Summary of revenue and expenses of the cash pools for the year ended 31 December 2015

(Thousands of United States dollars)

	Main pool	*Euro pool*	*Total*
Investment revenue	51 944	48	51 992
Foreign exchange losses	(11 720)	(15 300)	(27 020)
Unrealized losses	(10 824)	(4)	(10 828)
Bank fees	(525)	–	(525)
Revenue from cash pools	**28 875**	**(15 256)**	**13 619**

Financial risk management

185. The United Nations Treasury is responsible for investment and risk management for the cash pools, including conducting investment activities in accordance with the Guidelines.

186. The investment management objectives are to preserve capital and ensure sufficient liquidity to meet operating cash while attaining a competitive market rate of return on each investment pool. Investment quality, safety and liquidity are emphasized over the market rate of return component of the objectives.

187. An investment committee periodically evaluates investment performance and assesses compliance with the Guidelines and makes recommendations for updates thereto.

Financial risk management: credit risk

188. The Guidelines require ongoing monitoring of issuer and counterparty credit ratings. Permissible investments may include, but are not restricted to, bank deposits, commercial paper, supranational securities, government agency securities and government securities with maturities of five years or less. The cash pools do not invest in derivative instruments such as asset-backed and mortgage-backed securities or equity products.

189. The Guidelines require that investments not be made in issuers whose credit ratings are below specifications, and also provide for maximum concentrations with given issuers. These requirements were met at the time the investments were made.

190. The credit ratings used for the cash pools are those determined by major credit-rating agencies: Standard & Poor's and Moody's and Fitch are used to rate bonds and discounted instruments, and the Fitch viability rating is used to rate bank term deposits. Credit ratings as at 31 December 2015 are set out in the table below.

Investments of the cash pools by credit ratings as at 31 December 2015

Main pool	*Ratings*		
Bonds (long-term ratings)			
	AAA	**AA+/AA/AA-**	**Not rated**
S&P	37.7%	54.2%	8.1%
Fitch	61.9%	26.5%	11.6%
	Aaa	**Aa1/Aa2/Aa3**	
Moody's	65.8%	34.2%	–
Commercial papers (short-term ratings)			
	A-1+		
S&P	100.0%		
	F1+		
Fitch	100.0%		
	P-1		
Moody's	100.0%		
Reverse repurchase agreement (short-term ratings)			
	A-1+		
S&P	100.0%		
	F1+		
Fitch	100.0%		
	P-1		
Moody's	100.0%		

Main pool	*Ratings*		
Term deposits (Fitch viability ratings)			
	aaa	**aa/aa-**	**a+/a**
Fitch	–	53.6%	46.4%

Euro pool	*Ratings*		
Term deposits (Fitch viability ratings)			
	aaa	**aa/aa-**	**a+**
Fitch	–	–	100.0%

191. The United Nations Treasury actively monitors credit ratings and, given that the organization has invested only in securities with high credit ratings, management does not expect any counterparty to fail to meet its obligations, except for any impaired investments.

Financial risk management: liquidity risk

192. The cash pools are exposed to liquidity risk associated with the requirement of participants to make withdrawals on short notice. It maintains sufficient cash and marketable securities to meet participants' commitments as and when they fall due. The major portion of cash and cash equivalents and investments are available within one day's notice to support operational requirements. Cash pool liquidity risk is therefore considered to be low.

Financial risk management: interest rate risk

193. The cash pools comprise the organization's main exposure to interest rate risk with fixed-rate cash and cash equivalents and investments serving as interest-bearing financial instruments. As at the reporting date, the cash pools had invested primarily in securities with shorter terms to maturity, with the maximum being less than five years. The average durations of the main pool and the euro pool were 0.86 years and 0.21 years respectively, which are considered to be an indicator of low risk.

Cash pool interest rate risk sensitivity analysis

194. The analysis shown in the table below illustrates how the fair value of the cash pools as at the reporting date would increase or decrease should the overall yield curve shift in response to changes in interest rates. As these investments are accounted for at fair value through surplus or deficit, the change in fair value represents the increase/decrease of the surplus or deficit and net assets. The impact of a shift up or down of up to 200 basis point in the yield curve is shown (100 basis points equals 1 per cent). These basis point shifts are illustrative.

Cash pool interest rate risk sensitivity analysis as at 31 December 2015

Shift in yield curve (basis points)	*-200*	*-150*	*-100*	*-50*	*0*	*50*	*100*	*150*	*200*
Increase/(decrease) in fair value (Millions of United States dollars)									
Main pool total	128.99	96.74	64.48	32.24	–	(32.23)	(64.46)	(96.69)	(128.91)
Euro pool total	0.04	0.03	0.02	0.01	–	(0.01)	(0.02)	(0.03)	(0.04)
Total	**129.03**	**96.77**	**64.50**	**32.25**	–	**(32.24)**	**(64.48)**	**(96.72)**	**(128.95)**

Other market price risk

195. The cash pool is not exposed to significant other price risk, as it does not sell short, or borrow securities or purchase securities on margin, which limits the potential loss of capital.

Accounting classifications and fair value, cash pool

196. The carrying value of investments carried at fair value through surplus or deficit is fair value, and for cash and cash equivalents, including cash pool term deposits, carrying value is a fair approximation of fair value.

Fair value hierarchy

197. The table below analyses financial instruments carried at fair value by the fair value hierarchy levels. The levels are defined as:

(a) Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;

(b) Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e., prices) or indirectly (i.e., derived from prices);

(c) Level 3: Inputs for the asset or liability that are not based on observable market data (i.e., unobservable inputs).

198. The fair value of financial instruments traded in active markets is based on quoted market prices as at the reporting date and is determined by the independent custodian based on the valuation of securities sourced from third parties. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the cash pools is the current bid price.

199. The fair value of financial instruments that are not traded in an active market (e.g., term deposits with banks) is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to determine the fair value of an instrument are observable, the instrument is included in level 2.

200. The following fair value hierarchy presents the cash pool assets that are measured at fair value as at the reporting date. There were no level 3 financial assets nor any liabilities carried at fair value or any significant transfers of financial assets between fair value hierarchy classifications.

Fair value hierarchy

(Thousands of United States dollars)

	Level 1	*Level 2*	*Total*
Financial assets at fair value through surplus or deficit			
Bonds — corporate	149 682	–	149 682
Bonds — non-United States agencies	2 190 965	–	2 190 965
Bonds — non-United States sovereigns	124 612	–	124 612
Bonds — supranational	139 828	–	139 828
Bonds — United States treasuries	1 092 139	–	1 092 139
Main pool — commercial papers	949 112	–	949 112
Main pool — term deposits	–	1 860 000	1 860 000
Main pool total	**4 646 338**	**1 860 000**	**6 506 338**
Euro pool — term deposits	–	10 941	10 941
Euro pool total	**–**	**10 941**	**10 941**
Total cash pools	**4 646 338**	**1 870 941**	**6 517 279**

Note 27
Related parties

Key management personnel

201. Key management personnel are those with the ability to exercise significant influence over the financial and operating decisions of the organization. For the United Nations Human Settlements Programme, the key management personnel group is deemed to comprise the Executive Director and the Deputy Executive Director.

202. The aggregate remuneration paid to key management personnel includes net salaries, post adjustments and other entitlements such as grants, subsidies and employer pension and health insurance contributions.

203. The organization's key management personnel were paid $0.6 million over the financial year; such payments are in accordance with the Staff Rules and Staff Regulations of the United Nations, the published salary scales of the United Nations and other publicly available documents.

Compensation of key management personnel

(Thousands of United States dollars)

	Key management personnel	*Close family members*	*Total as at 31 December 2015*	*Total as at 31 December 2014*
Number of positions, full-time equivalents	2	–	2	2
Aggregate remuneration				
Salary and post adjustment	470	–	470	563
Other compensation/entitlements	132	–	132	54
Total remuneration for the year	**602**	–	**602**	**617**

204. Non-monetary and indirect benefits paid to key management personnel were not material.

205. No close family member of key management personnel was employed by the organization at the management level. Advances made to key management personnel are those made against entitlements in accordance with Staff Rules and Staff Regulations; such advances against entitlements are widely available to all staff of the organization.

Related entity transactions

206. In the ordinary course of business, to achieve economies in executing transactions, financial transactions of the organization are often executed by one financial reporting entity on behalf of another. Before the introduction of the Umoja system, these had to be manually followed up and settled. In Umoja, settlement occurs when the service provider is paid.

Note 28
Leases and commitments

Finance leases

207. The organization has no finance leases.

Operating leases

208. The organization enters into operating leases for the use of land, permanent and temporary buildings and equipment. The total operating lease payments recognized in expenditure for the year were $3.2 million. This total includes $0.8 million towards donated rights-to-use arrangements, for which corresponding revenue is recognized in the statement of financial performance and presented within voluntary contributions revenue. Future minimum lease payments under non-cancellable arrangements are set out in the table below.

Future minimum operating lease obligations

(Thousands of United States dollars)

Obligations for operating leases	*Minimum lease payments as at 31 December 2015*	*Minimum lease payments as at 31 December 2014*
Due in less than 1 year	820	3 331
Due from 1 to 5 years	794	7 443
Due later than 5 years	–	–
Total minimum operating lease obligations	**1 614**	**10 774**

209. These contractual leases are typically between one to seven years, with some leases allowing extension clauses and/or permitting early termination within 30, 60 or 90 days. The amounts present future obligations for the minimum contractual term, taking into consideration contract annual lease payment increases in accordance with lease agreements. No agreements contain purchase options.

Leasing arrangements where the organization is the lessor

210. The organization has no leases as a lessor.

Contractual commitments

211. The commitments for property, plant and equipment; intangible assets; implementing partners; and goods and services contracted but not delivered as at the reporting date are set out in the table below.

Contractual commitments by category

(Thousands of United States dollars)

	Total as at 31 December 2015	*Total as at 31 December 2014*
Goods and services	16 670	14 984
Implementing partners	34 265	42 845
Total	**50 935**	**57 829**

Note 29
Contingent liabilities and contingent assets

Contingent liabilities

212. The organization is subject to a variety of claims that arise from time to time in the ordinary course of its operations. These claims are segregated into two main categories: commercial and administrative law claims. As at the reporting date, the organization had no reportable cases.

213. Owing to the uncertainty of the outcome of these claims, no provision or expense has been recorded, as the occurrence, amount and timing of the outflows are not certain. Consistent with IPSAS, contingent liabilities are disclosed for

pending claims when the probability of outcome cannot be determined and the amount of loss cannot be reasonably estimated.

Contingent assets

214. In accordance with IPSAS 19: Provisions, contingent liabilities and contingent assets, contingent assets are disclosed where an event will give rise to a probable inflow of economic benefits to the organization. As at the reporting date, the organization did not have reportable contingent assets.

Note 30
Grants and other transfers

215. The following are the regions in which the funds given to implementing partners have been spent.

Grants and other transfers by region

(Thousands of United States dollars)

	Total as at 31 December 2015	*Total as at 31 December 2014*
Africa	4 941	2 078
Arab States	2 225	5 815
Asia and the Pacific	7 684	1 573
Global	3 897	100
Latin America and the Caribbean	3 460	1 720
Total	**22 207**	**11 286**

216. This amount is part of the $40.8 million shown on statement II as expenditure under grants and other transfers. The difference of $18.6 million was for end beneficiaries.

Note 31
Events after the reporting date

217. There have been no material events, favourable or unfavourable, that occurred between the date of the financial statements and the date when the financial statements were authorized for issue that would have had a material impact on these statements.

Note 32
Cost recovery

218. Cost recovery is largely mobilized from extra budgetary UN-Habitat funds. For the current reporting period, $2.4 million has been recorded in two UN-Habitat segments and eliminated in statement II to avoid overstating revenues and expenses.

(Thousands of United States dollars)

	31 December 2015
Foundation non-earmarked	1 803
Programme support	644
Total	**2 447**

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